OneEastside SPARK

How to Successfully Prepare For Future Funding: Managing Your Cash Flow

Disclaimer: The information provided in this webinar and any supplementary materials are provided to you with the intent that they are for educational and informational purposes only and do not constitute professional financial or legal advice. No recipient should act or fail to act on the basis of any material contained in this presentation without obtaining proper financial, legal or other professional advice specific to their situation. OneEastside SPARK, OneRedmond, and our guest speakers specifically disclaim any liability, loss or risk, personal or otherwise, which is incurred as a consequence, directly or indirectly, of the use and application of any of the information presented.

OneEastside
SPARK
WEBINAR

KRISTINA HUDSON

CEO

OneRedmond

OneEastside SPARK

23 Eastside Cities & Towns

OneEastside SPARK

Town of Beaux Arts Village
City of Bellevue Washington
City of Bothell
City of Carnation Washington
City of Clyde Hill
City of Covington growing toward greatness
City of Duvall Small Town. Real Life.
Town of Hunts Point Washington
City of Issaquah Washington

Kenmore by the Lake
City of Kirkland Washington
The City of Maple Valley
City of Medina Washington
City of Mercer Island Washington
The City of Newcastle Washington
North Bend easy to reach. . .hard to leave

Redmond Washington
City of Renton
City of Sammamish Washington
Town of Skykomish
City of Snoqualmie
Woodinville
Town of Yarrow Point Washington · Incorporated 1959

Eastside Supporting Partners

OneEastside SPARK

- Bellevue Chamber
- Bellevue Downtown Association
- Visit Bellevue Washington
- Bothell Kenmore Chamber
- Carnation Chamber of Commerce Washington
- Covington Chamber of Commerce
- Duvall Chamber of Commerce
- Eastside For All
- Eastside Together
- Downtown Issaquah Historically Hip
- Visit Issaquah
- Greater Kirkland Chamber of Commerce
- Maple Valley Black Diamond Chamber of Commerce
- Mercer Island Chamber of Commerce
- The Greater Newcastle Chamber of Commerce
- experience Redmond .com
- OneRedmond
- Renton Chamber of Commerce
- Sammamish Chamber of Commerce
- SnoValley Chamber of Commerce
- STARTUP425
- Woodinville Chamber

OneEastside
SPARK

Center for Business Resilience and Innovation

www.OneEastside.org/SPARK

OneEastside SPARK: *Center for Business Resilience and Innovation* is open for our small businesses and non-profits!

Offerings include:

- Database of financial opportunities and other resources
- Free one-on-one advising services
- Programs, webinars, & training opportunities in collaboration with our partners
- Businesses and non-profits: connect with your peers on our Facebook Group at https://tinyurl.com/OneEastside-SPARK-Group

Upcoming Webinars

OneEastside SPARK
Center for Business Resilience and Innovation

Small Business Flex Fund

Thursday, July 22, 2021 | 3:00 PM – 4:00 PM

https://tinyurl.com/WAFlexFund

Supported by the Washington State Department of Commerce, the new Small Business Flex Fund features:

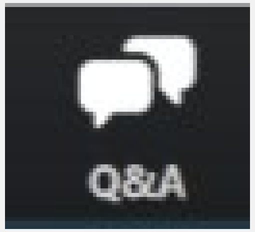
- A network of nonprofit, community-based lenders (CDFIs) that provide assistance through every step of the loan process
- Low interest loans of up to $150,000 for small businesses and nonprofits with less than 50 employees and an annual revenue of less than $3 million
- Funds may be spent flexibly on items including payroll, utilities, rent, supplies, marketing, advertising, building improvements and other business expenses

How to Successfully Prepare For Future Funding: Managing Your Cash Flow

July 15, 2021 | 2:30 –3:30 PM

OneEastside
SPARK
WEBINAR

Need technical help during the webinar?
Use the **Chat Box**

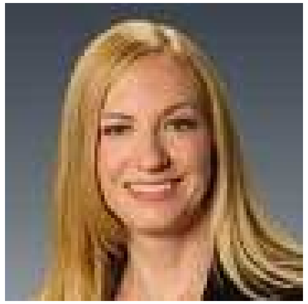


Questions for the Speakers?
Use the **Q&A Box**

Recording will be available following the webinar

Featured Speakers

Janie Sacco
U.S. Small Business Administration – Seattle Office



Becky Todd
CFO Selections

Kurt Maass
CFO Selections

Felix Ngoussou
Seattle Business Education Hub (SBE Hub)

OneEastside
SPARK
WEBINAR

Janie
Sacco

U.S. Small Business
Administration

Seattle District Office

SBA COVID-19 Relief Funding Options

Loan Programs

- Paycheck Protection Program (PPP)
- Debt Relief on SBA 7(a), 504 and Microloans
- Economic Injury Disaster Loan (EIDL) and Targeted EIDL Advance

Grant Programs

- Shuttered Venue Operators Grant (SVOG)
- Restaurant Revitalization Fund (RRF)

The Importance of a Business Plan

- Helps to identify any gaps in your vision and strategy (market need, capital, team, competition, pricing) in our NEW NORMAL
- Proves viability of the business
- Sets objectives and benchmarks
- REQUIRED for securing financing
- Better understand the broader landscape
- Reduce risk, make better decisions, and have a clear view of the future for your business

Information Required for Funding

- Balance Sheet
- Income Statement
- Statement of Cash Flow

OneEastside
SPARK
WEBINAR

BECKY TODD
CFO Selections

KURT MAASS
CFO Selections

Managing Your Cash Flow
July 15, 2021

Seattle • Bellevue • Yakima • Portland

www.cfoselections.com

What is cash flow?

- Cash flow is essentially the movement of money in from sales (cash receipts) and out spent on expenses (cash disbursements).

Cash in	Cash out
Customer/client payments	Supplier/vendor/inventory payments
Loan/Grant proceeds	Rent/lease
Any other income (Interest, rent, etc.)	Loan payments & interest
Asset sale (vehicle, equipment, etc.)	Employee payroll & taxes/owner distributions
Owner infusion of cash	Asset purchase (vehicle, equipment, etc.)
	Tax

Why is cash important?

- It's your money!
- Everyday decisions impact cash flow.
- Cash flow issues lead to:
  - Unnecessary borrowing
  - Poor credit
  - An inability to expand your business
  - Personnel and client relationship problems

How can I impact cash flow? – Best Practices

Some of the most impactful, are seemingly the most obvious.

1. Vendor/Supplier Negotiation
   - Get several quotes; Ask for discounts; Negotiate better terms; Only pay when due… or early if discounts are offered.
2. Inventory Management
   - Use Just-In-Time ordering, if possible.
   - Ask for consignment stock
   - Use your facility space wisely!

How can I impact cash flow? – Best Practices

3. Manage customers credit closely
    - Have a formal credit approval process
    - Provide discounts for customers to pay early
    - Be clear that you'll charge interest on late payments
    - Utilize contracts with clear payment terms (when appropriate)
    - Identify the client contact who makes payment decisions…
    - … and be politely insistent. They should know you'll be calling.
4. Manage Order Fulfillment

How can I impact cash flow? – Best Practices

5. Invoicing
   - Ensure you invoice as quickly as possible
   - Make sure that invoice details are accurate and contact information is current
   - Send electronically whenever possible
   - Follow-up!
   - If you accept credit cards, have tight controls around their use.
6. MANAGE Accounts Receivable

CFO SELECTIONS

How do I know when, or if, cash will be an issue?

- Prepare a cash forecast
- It's not as hard as you think!
  - Determine a minimum cash balance
  - Forecast Sales
  - Forecast Cash Receipts
  - Forecast Cash Disbursements
  - Estimate your End-of-Month Cash Balance

Determine a Minimum Cash Balance

- Not too much…
- … or too little.
- But what is just right for you!

Forecast Sales

- This is the *heart and soul* of the cash budget.
- Sales are ultimately transformed into cash receipts and disbursements
- CRITICAL NOTE: A cash forecast is only as accurate as the sales forecast from which it is derived
- Don’t worry if your sales are inconsistent or seasonal…

Forecast Cash Receipts

- Record all <u>cash</u> received…
- … when it's <u>actually received</u>!
  - This is the cash-basis method of accounting
- Determine the collection cycles of any credit sales
- Monitor your collections for outliers

Forecast Cash Disbursements

- Record disbursements when you expect to make them.
- Start with fixed costs…
  - Those you know are due on certain dates (e.g. rent, leases, etc.)
- Add estimated amounts for all other expenses…
  - Payroll
  - Taxes
  - Cost of Goods
  - Office supplies

Estimate the End-of-Month Balance

- Start with the Beginning Cash Balance…
- Add Cash Receipts…
- Subtract Cash Disbursements…
- The Result = A **Cash Surplus**…
- …or **Cash Shortfall**

Cash Forecast Simplified

		Month 1	Month 2	Month 3
Beginning Cash Balance		$1,000	$11,000	$19,000
Add: Cash Received	Cash deposits made	$100,000	$90,000	$95,000
Subtract: COGS Vendor Payments	Whether inventory or COGS	($35,000)	($30,000)	($45,000)
Subtract: Payroll and Taxes	Don't forget the taxes!	($30,000)	($28,000)	($33,000)
Subtract: Fixed OH Costs	E.g. Rent, Leases	($15,000)	($15,000)	($15,000)
Subtract: Other OH Expenses	E.g. Office Supplies; entertainment	($10,000)	($9,000)	($11,000)
Ending Cash Balance		**$11,000**	**$19,000**	**$10,000**

Larger Business Considerations

- Organizations that use Accrual Accounting…
  - Be aware of timing issues from your P&L.
  - Focus on subsidiary detail (Accounts Receivable, Accounts Payable and Loan Payable) to determine the timing of “cash” obligations.
  - Be certain to review your balance sheet…
    - Account for prepaid items as additions to cash
    - Consider equipment costs – and not just heavy machinery – employees have needs as well (e.g. computer, furniture, etc.)
    - Review loan payments for the cash cost of principal obligations
    - Are there any shareholder distributions for taxes, or other obligations?

What can I do if Ending Cash is Negative?

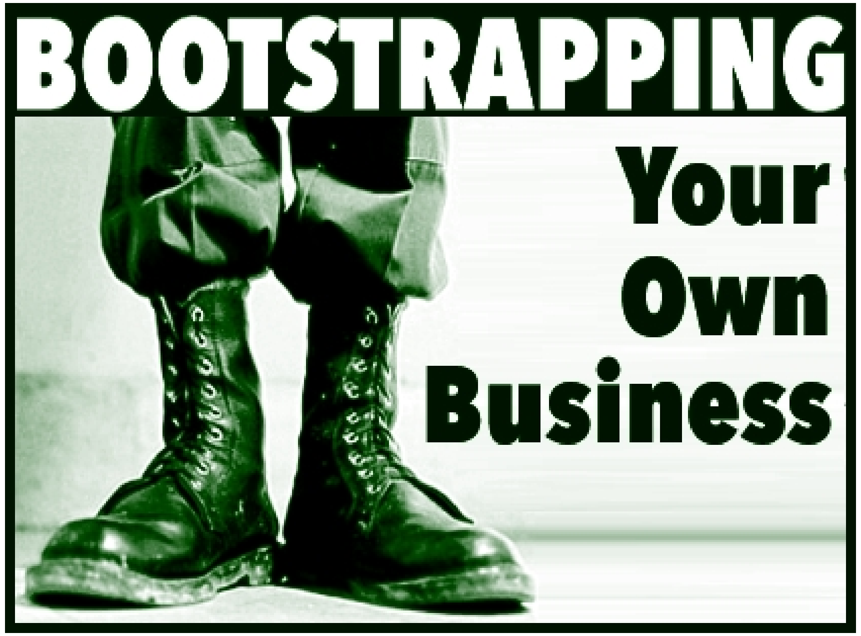
Find alternate sources of funding.

- Three kinds of Funding
  - Equity – Money in exchange for ownership
    - Advantages – Patient, alignment of interests
    - Disadvantages - Give up ownership, expensive, answer to board & shareholders
  - Debt – Money in exchange for promise to repay with interest according to loan terms
    - Advantages – Retain ownership, non-dilutive
    - Disadvantages – Need to repay based on agreed upon terms regardless of business circumstances, business generally needs to be cash flow positive to qualify
  - Grants – Money in exchange for services
    - Advantages – non-dilutive
    - Disadvantages – May require additional services, audit and compliance documents

And the tried and true…

Bootstrapping!

- What is Bootstrapping?
  - Sweat Equity
    - Working below market wages
  - 2^{nd} job –
    - Moonlighting
  - Spousal support
  - Volunteering (aka… working for free!)



The most common funding?
Debt Funding

- Typical types of Debt Funding
  - Personal Loan
    - Founder Loan to business
  - Bank loans
    - SBA
    - Economic Injury Disaster Loan
    - Conventional
  - Equipment
    - Bank
    - Specialty Leasing vendors
  - Vendors
    - Equipment
  - Private Loans
    - Private Equity
    - Hard money lenders
  - Loan requirements
    - Collateral
    - Secondary source of repayment
    - Personal guarantee

Information Required for Funding

- Business plan
- **Historical Financial Statements**
  - Income Statement
  - Balance Sheet
  - Statement of Cash Flow
- Tax Returns
  - Business
  - Personal
- Personal financial statements
- **Financial forecast**
  - Two to Five years
  - Include assumptions
- Description of collateral offered

"Make the case for why you need the money and how it will be repaid"

THANK YOU

OneEastside
SPARK
WEBINAR

FELIX NGOUSSOU

Seattle Business Education Hub

WHAT IS CASH FLOW AND WHY IS IT IMPORTANT

July 15,2021

Presented by:
Felix Ngoussou
Seattle Business Education Hub
206 753-8397
www.sbehub.org

INTRODUCTION

Business as usual has changed as the impact of COVID-19 continues to reverberate through the economy.

The uncertainty that faces Business owners can be daunting. However, business owners share traits like:

- resilience,
- grit
- and adaptability,

and these will go a long way in the coming months. As you've adjusted to changing market conditions, you've undoubtedly dealt with challenges around having the cash you need to continue operating.

WHAT IS CASH FLOW

Cash flows refer to the movements of money into and out of a business, typically categorized as cash flows from operations, investing, and financing. Operating cash flow includes all cash generated.

The Cash Flow is one of three Key Financial Statements that report the Cash generated and spent during a SPECIFIC period of TIME. (day, week, month, quarter, semester, year)

The Cash Flow acts as a BRIDGE between the Income Statement and the Balance Sheet by showing how Money moved in and out of the business.

Cash flow is usually understood to be the total amount of cash that is generated and received by a Business, along with the amount of cash that is used for expenses of the same Business. Generally, tracking cash flow means the immediate recording of transactions in a cash journal.

CASH FLOW AND ITS THREE SECTIONS

OPERATING ACTIVITIES:

This includes cash arising out of the core business the company is in. The difference between the revenue generated out of the sales of the products and the cost will be cash flow from operating activities. For example, purchases or sales of a product, increase or decrease in current assets and current liabilities, depreciation, expenses relating to trading, administrative, selling expenses, etc.

INVESTING ACTIVITIES:

This section of the cash shows the investment a company makes. It includes cash spent in capital expenditures or the cash raised out of a sale of long-term assets or any other form of investment.

FINANCING ACTIVITIES:

A company will look to expand its business from time to time. To finance this, the company will either raise equity or debt. This comprises of cash from financing activities.

CASH FLOW STATEMENT vs. INCOME STATEMENT

There are 2 main differences:

1. Income statement follows Accrual Accounting, whereas a cash flow statement does not. Thus, entries in it are recorded only when money exchanges hands.

2. Income statement also records non-cash revenues and expenses. Cash Flow Statement is strictly for cash transactions only.

CASH vs. PROFIT

It gives the investors an idea about the ability of a company to meet its future obligations. If an Income statement shows a net profit of $100, it does not really mean that the company has increased its cash repository by $100 because income statement also reports non-cash transactions.

But the bottom figure of $100 in a cash flow statement certainly means that the company has increased its cash deposits by $100 during the previous Accounting period.

CASH FLOW IMPORTANCE TO LENDERS

CDFI

1. Can you pay yourself?
2. Can you pay your suppliers?
3. Can you pay us back?

BANKS

1. Can you pay us back?
2. Can you pay your suppliers?
3. Can you pay yourself?

HOW TO NAVIGATE CHANGES IN YOUR BUSINESS CASH FLOW

- **Accounts Receivable:** The money owed to your business from customers can hinder Positive Cash Flow.
- **Accounts Payable:** The outstanding balance owed to your vendors, likewise, can stunt revenue, especially if you are slow collecting your Receivable.
- **Inventory:** Particularly, as a business grows, inventory can have a pronounced impact on cash flow if you lack the means to Cost-Effectively move that inventory (LIFO, FIFO, LILO)
- **Sales:** You need a consistent source of cash coming in and ruling out venture capital that will most likely come in the form of sales.

THE 7 SECRETS TO KEEP IT POSITIVE

1- Tighten up your Receivables process and get paid faster.

Remedy: Invoicing Promptly- Use online invoicing tools that automatically send payment reminders- offer incentives for fast payers, and easy online/mobile payment options if you do not already.

2- Set and Enforce Payment Policy.

Requiring 50% Up front, Credit card authorization on the file that allows for charging of the client's credit card on past due bills helps eliminate the time and effort of collection activity.

3- Expand the ways customers can pay you.

Let your Bank's merchant service platform help you automatically encourage customers to come back. Let your Bank help you own the conversation about your business on sites like YELP, Google, and Facebook. Let your Bank alert you when customers post about you, so you can respond to feedback and build a community of loyal repeat clients.

THE 7 SECRETS Continued

4- Maintain access to a line of business credit.

Rapid business growth is a positive sign, but it can sometimes be accompanied by Cash Flow constraints. You might well be increasing your Overhead and Costs faster than you can bring in the CASH to pay for them. Using a business line of credit (LOC) will give you a cushion of available capital to use when needed.

5- Negotiate the Extension of your Payables.

You may be surprised that many of your vendors and suppliers may be willing to extend your payment window if you simply request it. Of course, you want to pay your bills on time but from the Cash Flow perspective, there is no reason to pay them early.. Develop a policy that gives you a 90 days term out.

6- Using Cash Flow Data to make informed-Decisions.

Using Business credit cards can help you track every money you are spending. Cards can also provide special opportunities, incentives, and cash back rewards for the business. It gives also Net 30 days terms so you can avoid interest charges.

THE 7 SECRETS Continued

7- Get Advice about Cash Flow Lending.

Cash flow lending is a type of unsecured loan that is used by businesses for day-to-day operations. Generally, the loan is used to finance working capital, such as payments for payroll, rent, inventory, and so on, and is paid back by your business's incoming cash flows. This means that you'll be borrowing from revenues that you're expecting to receive in the future.

When you're looking at cash flow lending for businesses, it's important to remember that these loans aren't traditional bank loans, which require a much more thorough analysis of the business's financial health, including credit history. Instead, eligibility for cash flow lending is determined almost exclusively by your business's capacity to generate cash flows.

In most cases, cash flow lending is used by small companies that don't have the required assets to back up a loan, a track record of profitability, or a significant credit history. This means that the lender will often charge higher interest rates, while the origination fee is also likely to be higher.

LIMITATIONS OF CASH FLOW LENDING FOR BUSINESSES

While cash flow loans provide the type of quick capital injection that can be vital for businesses in dire straits, it’s important to remember that there are several limitations associated with them:

High fees – As well as high interest rates, cash flow loans typically have very high fees, as well as significant penalties for late payments. Before taking out a cash flow loan, it’s worth thinking about whether you have the capacity to deal with these fees if you miss one of your scheduled payments.

Personal guarantees – While you don’t need assets to cover a cash flow loan, lenders may place a general lien over your entire business as part of the loan agreement. This means that your business itself will serve as collateral. In addition, you may be required to sign a personal guarantee for the loan, which would make you personally responsible for paying it back.

Automatic payments – Some lenders will require automatic payments as a condition of the loan. For businesses whose cash flow varies from month to month, let alone day to day, automatic payments could mean that you don’t have enough money in your business account to make the payment.

TAKE AWAYS

Key Points

- In financial accounting, a cash flow statement is a financial statement that shows how changes in balance sheet accounts and income affect cash and cash equivalents and breaks the analysis down to operating, investing, and financing activities.
- People and groups interested in cash flow statements include: (1) Accounting personnel, (2) potential lenders or creditors, (3) potential investors, (4) potential employees or contractors, and (5) shareholders of the business.
- The cash flow statement is intended to provide information on a firm’s liquidity and solvency, improve the comparability of different firms’ operating performance, and to indicate the amount, timing, and probability of future cash flows.

Key Terms

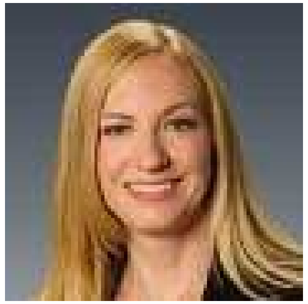
- **Solvency**: The state of having enough funds or liquid assets to pay all of one’s debts; the state of being solvent.
- **Liquidity**: An asset’s property of being able to be sold without affecting its value; the degree to which it can be easily converted into cash.

Contact Information:

Felix Ngoussou
(Ph) 206 753-8397
www.sbehub.org
Email: ngoussoufelix66@gmail.com

Q&A

Janie Sacco, SBA
Email: janie.sacco@sba.gov
SBA Message Line: (206) 553-7310



Becky Todd, CFO Selections
Email: becky@cfoselections.com

Kurt Maass, CFO Selections
Email: Kurt@cfoselections.com

Felix Ngoussou, Seattle Business Education Hub (SBE Hub)
Email: ngoussoufelix66@gmail.com
Phone: (206) 753-8397

23 Eastside Cities & Towns

OneEastside
SPARK

Town of Beaux Arts Village
City of Bellevue Washington
City of Bothell
City of Carnation Washington
City of Clyde Hill
City of Covington growing toward greatness
City of Duvall Small Town. Real Life.
Town of Hunts Point Washington
City of Issaquah Washington

Kenmore by the Lake
City of Kirkland Washington
The City of Maple Valley
City of Medina Washington
City of Mercer Island Washington
The City of Newcastle Washington 1994
North Bend easy to reach. . .hard to leave

Redmond Washington
City of Renton
City of Sammamish Washington
Town of Skykomish
City of Snoqualmie
Woodinville
Town of Yarrow Point Washington · Incorporated 1959

Eastside Supporting Partners

OneEastside SPARK

- Bellevue Chamber
- Bellevue Downtown Association
- Visit Bellevue Washington
- Bothell Kenmore Chamber
- Carnation Chamber of Commerce Washington
- Covington Chamber of Commerce
- Duvall Chamber of Commerce
- Eastside For All
- Eastside Together
- The Greater Issaquah Chamber of Commerce – Where Business & Community Meet
- Downtown Issaquah – Historically Hip
- Visit Issaquah
- Greater Kirkland Chamber of Commerce
- Maple Valley Black Diamond Chamber of Commerce
- Mercer Island Chamber of Commerce
- experience Redmond.com
- OneRedmond
- Renton Chamber of Commerce
- Sammamish Chamber of Commerce
- SnoValley Chamber of Commerce
- STARTUP425
- Woodinville Chamber


OneEastside
SPARK
www.OneEastside.org/SPARK

Upcoming Webinars

OneEastside SPARK

Center for Business Resilience and Innovation

Small Business Flex Fund

Thursday, July 22, 2021 | 3:00 PM – 4:00 PM

https://tinyurl.com/WAFlexFund

Transportation Update: Rebuilding Confidence in the Commute

Thursday, July 29, 2021 | 10:00 AM – 11:00 AM

How to Successfully Prepare For Future Funding: Managing Your Cash Flow

Disclaimer: The information provided in this webinar and any supplementary materials are provided to you with the intent that they are for educational and informational purposes only and do not constitute professional financial or legal advice. No recipient should act or fail to act on the basis of any material contained in this presentation without obtaining proper financial, legal or other professional advice specific to their situation. OneEastside SPARK, OneRedmond, and our guest speakers specifically disclaim any liability, loss or risk, personal or otherwise, which is incurred as a consequence, directly or indirectly, of the use and application of any of the information presented.