

INSTRUCTIONS FOR COMPLETING THE FOR-PROFIT/SOCIAL ENTERPRISE FINANCIAL TEMPLATE

How to Proceed:

Read the *Guide to Developing a Business Plan* located under resources at the AG Fine Arts website. This guide will supplement the content described in the Rules and Regulations for the Enterprise Division – Business Plan Category.

Use the general guidelines shown below to complete the key sections of the preceding one-page financial template for the Business Plan. **Enter the name of your business at the top of the template. Change “For-Profit” to “Social Enterprise” if a social enterprise business.** When entering your financial projections, **show all numbers as whole dollars (no cents).**

Following are explanations of the various items in the template. Review these carefully. If helpful, seek assistance from a business teacher at your high school, a college business major, or a business professional from your church.

Projected Annual Financial Statement Section:

- The revenue and expense categories of the template are intended to help you develop the projected annual revenues and expenses and to show that the business is sustainable when you are fully operational. Fully operational means the point in time when you will have moved through the start-up phase and your sales and expenses will be fairly predictable on an annual basis.
- You can change and adapt the revenue and expense categories to best suit your business. These are set up in tables, so you can delete rows or click within the box to change a label and enter an amount or percentage. Ask for assistance from someone knowledgeable if you are not familiar with how to make adjustments to a table.
- For the percent column, calculate the percent of each expense item in relation to the total revenue. Divide the expense amount by the total revenue amount and round to the nearest whole percentage. Do the same calculation for the amount of Net Income.

Start-up Costs Section:

This section will help you think through what it is going to take to start your business and make it fully operational. The categories you need may vary significantly from what is shown. Don't hesitate to change and adapt these categories to best suit your business. **In the written business plan, you should reference the total projected start-up cost when addressing Structure (#3) and when responding to Sustainability (#1).**

Annual Financial Statement Terms/Instructions:

Gross sales:

What will be the total annual revenue from selling the product or service? To calculate, estimate the number of sales “units” times the average price per unit. A unit is a product or service item such as mowed lawn, babysitting service, cup of coffee, etc. An average selling price relates to the price you plan to charge for the product or service. If multiple services or products are provided with each purchase, it would be the average sale price for each customer purchase. **In the written business plan, include the number of units and average sales price in your key assumptions when addressing Sustainability (#2).**

Cost of Goods Sold:

What is the annual direct cost, if any, related to the product or services you sold? For instance, if you are selling cups of coffee, what is the direct cost of the coffee, cream, sugar, cups, lids, etc. that are associated with number of cups of coffee you will sell annually? A T-shirt printing business will have the cost of the shirt as its cost of goods sold. Do not include labor cost in this category. Your business may not have any costs directly related to the units sold. For instance, it may be difficult to identify direct costs for a boutique babysitting service or lawn service. You can ignore or delete the Cost of Goods Sold and the Gross Profit rows if it is not applicable. If applicable, **explain the nature of your cost of goods sold and the percentage that it is to total sales under Sustainability (#2) in the written business plan.**

Other Revenue:

Use these lines only if you have revenues in addition to the primary product or service being sold. For instance, a coffee shop may have revenue from pastry sales or a lawn service may include some supplemental revenues from snow removal service. Delete one or both rows if not needed.

Wages and Benefits:

Enter the estimated annual amount you will pay for employees. If you are directly involved in generating the revenue, then include a reasonable wage amount to cover your time. Increase the direct wage amount by at least 15% to cover the employer's share of taxes and employee benefits (Social Security – 7.65%; Medicare – 1.45%; unemployment compensation – 2.9%; and paid vacations and holidays, Christmas bonus, etc. – 3%). **In the written business plan, include the projected number of employees, annual number of hours worked, average hourly pay rate, and primary benefits you cover in the key assumptions under Sustainability (#2).**

Marketing and Sales:

You have described in the business plan how you will communicate your value proposition to your customers. Here is where you need to project the annual expense for that promotion plan. Include expenses related to media advertising, direct mail promotion, printing of brochures, and any amounts paid to external parties such as agents, distributors, etc. for sales related activities. **In the written business plan, include in Sustainability (#2) the percentage of total revenue you compute for this line to explain the financial commitment to marketing your business.**

Rent and Utilities:

If applicable, estimate the cost you may be paying for space and utilities (electricity, gas, water, etc.) to operate your business. You can delete this row if it is not applicable to your business.

Professional Services:

Estimate the annual expenses related to any ongoing legal and/or accounting services that you will need. This may be for bookkeeping service, contract reviews, collection for unpaid services, tax returns, etc.

Administrative Expenses:

Even small businesses will usually incur some expenses related to duplicating, mailing, internet service, telephone service, office supplies, memberships, professional development, or other expenses related to the administration of the business. Think this through carefully and total up the annual cost for this line.

Insurance:

Most businesses pay for insurance policies to protect against having unacceptable financial losses related to potential liability claims and damage to an automobile, equipment, or other assets used in the business. If you are unsure, enter 2-3% of total revenue on this line.

Other:

Three rows are provided for you to describe and project the amount of any other expenses that may be routinely incurred by your business but not be included on other lines. Change “Other” to be a word or words that describes the expense. Delete any or all of these rows if they are not needed.

Net Income:

This is total revenues minus total expenses. It must be a positive number to justify that the business is sustainable as a fully operational business.

Distribution of Net Income (only for Social Enterprise):

Social Enterprise businesses are normally created with the intention to make a profit and to dedicate a portion of each sale or a percentage of net income to a specific charitable or social cause. Enter the amount you project giving annually when fully operational. Divide this amount by the **net income** (not total revenue) and show as a percentage in the percent column. **In the written business plan, describe in your key assumptions under Sustainability (#2) the nature of your commitment to financially support a cause. Include how you will determine the amount you give (specific amount for each item sold, percent of net income, etc.)**

Start-up Cost Terms/Instructions:**Equipment and Other Assets:**

In businesses, the costs incurred to purchase major equipment items, automobiles, buildings, and other assets that have value to the business over multiple years are accounted for as capital costs rather than annual expenses. Include in this line the amount of funds you will need to acquire any significant assets essential to starting the business.

Initial Inventory:

If you are selling a product you will need to have the product on hand when you begin marketing it. For instance, a new company that decides to sell inspirational bumper stickers online will need to purchase an initial amount of printed bumper stickers and related shipping materials to be able to respond quickly and minimize the cost of the goods sold. Include on this line the cost of any inventory that the business must have on hand to start the business. Enter zero or delete this row if not applicable.

Organization Costs:

Businesses that decide to do business as a formal organization may incur costs to have an attorney and/or Certified Public Accountant help prepare legal and tax related documents, retain a consultant to establish a website or provide training and materials, register with the state, obtain local license to operate, obtain trademark or URL rights, etc. Enter the estimated cost of these activities here.

Design Costs:

Some businesses may require professional services to develop product design, logo, signage, brochures, etc. in order to create a unique “branding” for their business. If applicable, enter the estimated or known costs of these activities here.

Other:

You may want to separate some of the most significant costs from others in the previous categories or you may have additional categories of start-up costs. Replace “Other” with a description of the cost and enter the amount. You may delete rows not needed.

Operating Losses to become fully operational:

The greatest cause for new business failures is that they do not have an adequate amount of funds to sustain operations during the start-up phase before reaching a break-even point when ongoing revenues match or exceed ongoing expenses. Usually the operating losses are greater in the beginning when sales are lowest. The losses most likely diminish over time as sales increase. Sometimes, seasonal variations have to be considered.

Estimate the number of months that it will take business to reach break-even. Also estimate the average amount of monthly losses (expenses exceeding revenues) that you will incur over that time. Enter the total amount of expected operational losses on this line. It is possible that your business will not incur any losses because your operating expenses are always a variable of the sales revenues.

Total Projected Start-up Costs:

Add the Total Organizational Development and Asset Costs to the Total Operating Losses. **Include this amount in the written business plan when addressing how you will obtain the financial resources you need to start the business under Structure (#3) and when responding to Sustainability (#1).**