

INSTRUCTIONS FOR COMPLETING THE NONPROFIT 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.** 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 Sustainability (#1).**

Annual Financial Statement Terms/Instructions:

Donations – Individuals, Businesses, and Grants:

As a nonprofit business, you may rely on donations to provide the revenues needed to sustain the business. Identifying the key donor groups will help you communicate with them and account for the outcomes. This template suggests three donor groups: individuals, businesses, and grants. Grants are typically received from private foundations or government agencies. Combine, delete, or modify these categories to make it relevant to your nonprofit business. For instance, you may want to add churches if they are a primary source. To calculate the projected amount for each category, estimate the number of donor “units” times the average donation per unit. If you prefer a greater level of detail, you may want to set up a table to further break the projections down into large, medium, and small donations with the number of donors for each type. **In the written business plan, include the number and type of donor units and average donations for each unit in your key assumptions when addressing Sustainability (#2).**

Ancillary Revenue:

Use this line to identify and include revenue amounts from resources other than donations. For instance, you may be selling items made by the clients you serve or may have rental income from your facility. If a significant amount, change “Ancillary” to a word or words that describe the source. You may delete this row if you do not have any ancillary revenue.

Other Revenue:

Use this line to identify and include any minor sources of revenue not included on the other revenue lines. Delete if you do not have any other revenue.

Wages and Benefits:

Enter the estimated annual amount you will pay for employees. If you are directly involved in operating the business, then include a reasonable wage amount to cover your time. Increase the direct wage amount by at least 14% to cover the employer's share of taxes and employee benefits (Social Security – 7.65%; Medicare – 1.45%; unemployment compensation – 1.9%; 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).**

Cost of Services Provided:

Use these two lines to project the annual costs that are directly related to the services or products you are providing for those who cannot afford them. For example, a nonprofit business is set up to provide free diaper service to single, unemployed mothers. The cost of the diapers would fit into this category. Perhaps your nonprofit provides a Sunday meal to homeless people. The cost of the food and related expenses would be in this category. Focus on the direct expenses. If your nonprofit is providing a professional counseling service to pregnant women, you may not have any direct cost for this category. Add or delete rows and change the descriptions as needed to reflect the key types of direct services being provided.

Promotion and Fundraising:

You have described in the business plan how you will communicate your value proposition to the public and potential donors. 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 promoting and fundraising for your nonprofit business.**

Rent and Utilities:

If applicable, estimate the cost you may be paying for space and utilities (electricity, gas, water, etc.) to operate your nonprofit business. You can delete this row if no costs of this nature are incurred.

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, annual reviews of risk and compliance, developing donor agreements, writing of grant requests, preparation of financial statements and tax returns, etc.

Administrative Expenses:

Nonprofit businesses will incur some administrative expenses such as duplicating, mailing, internet service, telephone service, office supplies, memberships, and 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:

Two rows are provided for you to describe and project the amount of any other expenses that may be routinely incurred by your nonprofit 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 Surplus:

This is total revenue minus total expenses. A nonprofit should show a sufficient annual surplus to cover the cost of any new equipment or facilities needed and to develop a contingency fund to sustain operations if projected donations or other revenues are not received when needed.

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 nonprofit business.

Initial Inventory:

The services provided by a new nonprofit business may need an initial amount of supplies and materials to launch the service. Include on this line the cost of any inventory that you must have on hand to launch the non-profit business. Enter zero or delete this row if not applicable.

Organization Costs:

Nonprofit businesses will benefit by establishing a formal organization and filing for tax exempt status. This may require funds 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, and other essential costs. 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 nonprofit 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:

Newly developed nonprofit businesses need time to develop a donor base that provides the revenues needed to sustain a desired minimal level of operation that generates recognizable benefits to the community being served. This recognition is essential to build the donor base. For this reason, the nonprofit business may find it necessary to raise enough funds before launching to sustain its operation for a specific start-up period.

Estimate the number of months that it will take to achieve the level of sustainable donations that will cover operating expenses at the desired level. Then, estimate the average amount of monthly losses (expenses exceeding revenues) that you may incur over those months. Enter the total amount of operational losses on this line. **Enter zero if none are needed and explain when describing assumptions under Sustainability (#1) in the written business plan.**

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).**