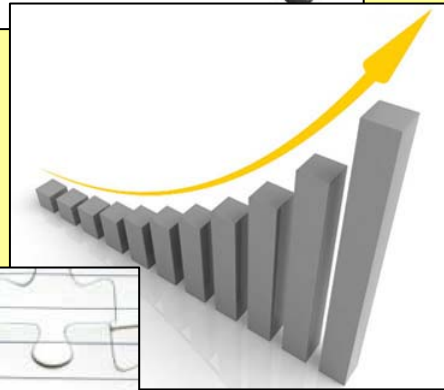
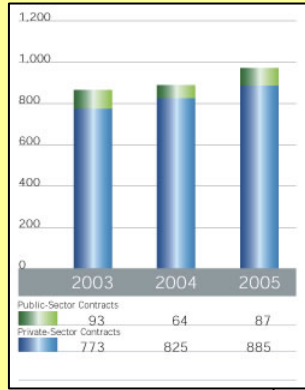


# FINANCIAL PACKAGE



## PURCHASE AREA DEVELOPMENT DISTRICT BUSINESS LENDING & DEVELOPMENT SERVICES

Phone: 270-247-7171

Department: 270-251-6117

Fax: 270-251-6110

Website : <http://www.purchaseadd.org>

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© Purchase Area Development District

# APPLICATION PROCESS 101

PURCHASE AREA DEVELOPMENT DISTRICT (PADD)  
1002 Medical Drive  
Mayfield, KY 42066

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## Step 1: Prequalification

Ask yourself the following questions:



1. Do I have a personal credit score of 550 or higher? A lower score does not necessarily disqualify you for a loan if there is sufficient collateral, equity/cash injection and positive business outlook.
2. Do I have sufficient personal or business assets equal in value (after discounts) to the amount of the loan that I can offer as collateral?
3. Do I have adequate cash flow to repay the loan obligation each month?
4. Do I have the knowledge, experience, and dedication to make my business successful?

**Please consider these tips regarding the small business loan application process:**

- Consider your proposed small business project. Does the project and the business loan make sense? In doing so, give a prudent consideration to how the funds will be used. Typical uses for most small businesses often include:
  - Land acquisition
  - Building acquisition
  - Equipment purchases
  - Working capital
  - Inventory purchases
  - Refinancing of other debts
- Consult with outside resources which may assist you with preparing your financing request.
- Use PADD as a resource as well, especially for help regarding the financial operations of your business and proper use of the funds to be borrowed; we have many years of experience and love to help small businesses succeed.
- Check any financial projections and supporting financial data to ensure that they are realistic and attainable.
- Ensure that your company's balance sheet is structured properly. In particular, note short term loans for working capital and longer term loans for debt refinancing and purchase of fixed assets (land, buildings, and equipment).

If you answered "Yes" in response to all of the questions above and have considered the helpful tips above then please proceed to Step 2: Proposal.

## Step 2: Proposal / Evaluation

In this phase, PADD will need certain information from you to get the loan application process rolling.

Please provide us with the following general info depending on whether your small business is a Start-Up / New Business (less than 2 years operating) or an Existing Business (2 years or longer in operation).

Start-Up / New Businesses	Existing Businesses
<input type="checkbox"/> Signed authorization for credit and background inquiry for each business owner <input type="checkbox"/> \$20 Payment to obtain Credit Report <input type="checkbox"/> Signed current personal financial statement for each business owner <input type="checkbox"/> Brief description of use of loan proceeds and collateral to be offered <input type="checkbox"/> A completed Business Plan (including financial projections for 3 years)	<input type="checkbox"/> Signed authorization for credit and background inquiry for each business owner <input type="checkbox"/> \$20 Payment to obtain Credit Report <input type="checkbox"/> Signed current personal financial statement for each business owner <input type="checkbox"/> Brief description of use of loan proceeds and collateral to be offered <input type="checkbox"/> Latest fiscal year-end business financial statements <input type="checkbox"/> Latest interim business financial statement (less than 60 days old) <input type="checkbox"/> Debt Schedule for business

**Upon receiving the information:**

After your information has been received, our staff will move quickly to evaluate your application and provide you with an assessment. Typically, you will receive a reply concerning PADD's interest in your loan request within 5-7 days. A positive response from PADD regarding your loan request means that you can move on to the next phase of the small business loan process, Final Qualification, where you will be asked to provide more information.

**To expedite the loan process, please ensure that you have avoided these common mistakes when preparing your information:**

**Personal Financial Statements**

- Include all liabilities that you owe on your personal financial statement. Remember that PADD will obtain personal credit reports to verify outstanding personal debt of all the parties involved in the transaction.
- List all debts that you have co-signed or guaranteed.
- Accurately state your gross income. PADD will compare your stated income with personal income tax returns.
- Realistically assess the market value of the real estate that you own.

**Business Financial Statements**

- Ensure that the financial statements balance.
- Always send both a balance sheet and corresponding income (profit and loss) statement to PADD for each period required.

**Step 3: Final Qualification**

Welcome to the final stage of qualification! If you have made it this far in the small business loan process then things are looking good. There are just a few more pieces of information that PADD needs from you before we can issue a commitment letter.

**Finishing the Loan Process**

- A detailed breakdown of total project costs, including:
  - Acquisition of real property or equipment
  - Building construction / Improvements to Property
  - Professional Fees
  - Working Capital Needs
  - Closing Costs

- Three (3) years of historical financial statements on your small business, including:
  - Income statements
  - Balance sheets
- Interim financial statements on your small business dated within 60 days of your business loan application (if not provided in Step 1 already).
- Projected financial statements for your small business (if not provided in Step 1 already):
  - Operating projections for three (3) years, to include: monthly spreads of *income* and *cash flow* for the first year and annual spreads of *income* and *cash flow* for the second and third years.
  - Include projections for repayment of the proposed loan and any other debt to be incurred.
  - Start-up balance sheet showing the proposed distribution of assets, liabilities, and equity.
- Last three (3) years of personal tax returns
- Personal resumé for each business owner
- Application Form
- Possibly other forms and materials as determined by program regulations and/or individual circumstances

Once we receive all necessary documentation and if no other problems arise, we will call on the Loan Review Committee (LRC) that will make the final decision about your loan application. After approval from the LRC, we will issue you a commitment letter which will outline the necessary steps and requirements to close the loan.



All forms in this package (covering Step 2) and the forms necessary for Step 3 can be found in an electronic version on our website:  
[http://www.purchaseadd.org/Business\\_Lending/Forms\\_Loans.html](http://www.purchaseadd.org/Business_Lending/Forms_Loans.html)

Our website also offers various tools (loan calculator, depreciation calculator, etc.) that can assist you in preparing the information necessary to complete an application.

## PROJECT COST BREAKDOWN

Business Name: \_\_\_\_\_  
 Business Address: \_\_\_\_\_  
 Business Telephone: \_\_\_\_\_  
 Business Website / Email: \_\_\_\_\_

### USES OF FUNDS

Proposed Uses of Funds	Amount Requested
<b>A. Land</b>	
1. Land Purchase (include purchase agreement)	\$
2. Site Work (excavation, demolition and removal, etc):	\$
3. Infrastructure (water, sewer, remodeling, improvements, etc.):	\$
4. Road Work (gravel, black top, etc):	\$
<b>B. Building</b>	
1. Building Purchase: (include purchase agreement)	\$
2. Building Construction / Renovation: (provide contractor est.)	\$
<b>C. Machinery and Equipment</b>	
1. Heavy Equipment	\$
2. Office Equipment (include vendor quotes)	\$
3. Shop Equipment (include vendor quotes)	\$
4. Vehicles	\$
5. Other Equipment (list)	\$
<b>D. Professional Fees</b>	
1. Appraisal	\$
2. Architect	\$
3. Bank Fees	\$
4. PADD Fees	\$
5. Legal Fees	\$
6. Mortgage Filing Fees	\$
7. UCC/Secretary of State Filing Fees	\$
8. Environmental Phase One Assessment	\$
9. Other Professional Fees (List)	\$
<b>E. Various / Various Expenses</b>	
1. _____	\$
2. _____	\$
3. _____	\$
4. _____	\$
5. _____	\$

## PROJECT COST BREAKDOWN

Proposed Uses of Funds	Amount Requested
<b>F. Operating Expenses</b>	
1. Officer's Salaries (if corporation)	\$
2. Employee Wages	\$
3. Payroll Taxes	\$
4. Other Employee Benefits (insurance)	\$
5. Accounting and Legal Fees	\$
6. Advertising	\$
7. Rent	\$
8. Inventory	\$
9. Depreciation	\$
10. Supplies	\$
11. Utilities	\$
12. Telephone	\$
13. Interest	\$
14. Repairs	\$
15. Property Taxes	\$
16. Property Insurance	\$
17. Other Insurances	\$
18. Deposits	\$
19. Working Capital **	\$
20. Other expenses (contingency, etc.):	\$
<b>Total Project Cost:</b>	
	<b>\$</b>

\*\* We recommend 3-6 months of operating expenses for working capital. This information can be found on the sheet "Twelve Months Earnings Projections (1<sup>st</sup> Year)", Line 23 – Total Expenses. If your expenses are varying noticeable, i.e. due to a seasonal business, calculate a monthly average for the first year and multiply it with a factor between 3 and 6, depending on the kind of your business.

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Applicant Signature

---

Date

## BUILDING CONSTRUCTION AND RENOVATION COST

Business Name: \_\_\_\_\_  
 Business Address: \_\_\_\_\_  
 Business Telephone: \_\_\_\_\_  
 Business Website / Email: \_\_\_\_\_

### BUILDING CONSTRUCTION AND RENOVATION COST

Description	Amount Budgeted
Lot	\$
Footer and/or Foundation	\$
Framing	\$
Plumbing (1) – rough in	\$
Electric (1) – rough in	\$
HVAC (1) – rough in	\$
Insulation	\$
Drywall	\$
Trim	\$
Painting	\$
Cabinets	\$
Flooring	\$
Plumbing (2) – complete	\$
Electric (2) – complete	\$
HVAC (2) – complete	\$
Siding	\$
Roofing	\$
Windows & Exterior Doors	\$
Septic / Sewer	\$
Grading	\$
Porch(es) and Deck(s)	\$
Walks and Driveways	\$
Landscaping	\$
Interest	\$
Legal	\$
Insurance	\$
	\$
	\$
	\$
	\$
	\$
	\$
<b>Total Building Construction and Renovation Cost:</b>	<b>\$</b>

# FINANCIAL PROJECTIONS 101

**PURCHASE AREA DEVELOPMENT DISTRICT (PADD)  
1002 Medical Drive  
Mayfield, KY 42066**

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Creating financial projections for your business, particularly for a start-up, is both an art and a science. Although investors and lenders want to see cold, hard numbers, it is tough to predict your financial performance three years down the road, especially if you are still raising seed money. Regardless, a short- and medium-term financial projection is a required part of your business plan if you want serious investors' attention.

## **Go Beyond the Income Statement**

The income statement (or profit-and-loss statement) is a standard measuring tool used to convey your projected revenues and expenses. A good financial projection also will include a projected balance sheet, which shows the breakdown of assets, liabilities and owner's equity. In addition, it will include a cash flow projection, which reveals the actual movement of cash through your company in a given period.

Your financial projections should include estimates of how much money you plan to borrow and interest repayments on those loans. Additionally, be sure to follow the Generally Accepted Accounting Principles, or GAAP, which are set forth by the Financial Accounting Standards Board, the private-sector organization responsible for setting financial accounting and reporting standards in the U.S. If financial reporting is new territory for you, have an accountant review your projections.

## **Provide Short-Term and Medium-Term Projections**

You should be able to offer investors:

- A short-term projection of the first year, broken down by month
- A three-year projection, broken down by year
- A five-year projection. Don't include this one in the business plan, since the further into the future you project, the harder it is to predict; however, have it available in case an investor or lenders asks for it.

When projecting growth, consider the state of the market in which you are operating, as well as trends in raw material and labor costs, and whether you foresee needing additional funding in the future.

## **Make Your Assumptions Reasonable and Clear**



As mentioned before, financial forecasting is as much art as it is science: You'll have to assume certain things, such as your revenue growth, how your raw material and administrative costs will grow, and how effective you'll be at collecting on accounts receivable. It's best to be realistic in your projections as you try to recruit investors. If your industry is going through a contraction period and you're projecting revenue growth of 20 percent a month, red flags will begin to pop up.

- Avoid volume discount pricing. If your product/service costs X, don't casually assume that the more you sell will always lower your company's overall costs year after year. Sales growth costs money.
- Compare results to your industry. A common mistake of startup entrepreneurs is to prepare projections in a vacuum. If for example, you are starting a restaurant with super high projected profit margins, you better have a good reason why you can produce this exceptional result. Investors and lenders will compare your projections to established reality. Similarly if you tell investors that one day a corporation will pay 3 times your projected revenues to buy your business, find at least one recent transaction to support your position.
- Don't force the numbers. It is true that seed and early stage investors seek out reasonable opportunities to earn rates of return over 30% to 40% before opening their checkbooks.

Still, it's not worth backing into artificial sales and expense numbers just to reach assumed rate of return, sales growth or profitability goals. Lenders expectations are usually lower since they are more interested in long term growth and revenue instead of short-term goals.

- Pay attention to your best work. If your projections represent an honest assessment of profitability and sales growth, and you don't think the numbers are big enough to attract investors or less demanding lenders, don't abandon the work in favor of the fantasy-like "blue sky" projections. Good projections can be good fortune tellers (or loss of fortune tellers too). Maybe this business idea or approach is not really worth your money and personal sacrifice? After all, not all product ideas make good businesses.
- Know your gross profit margins. As a consumer product manufacturer or service provider and marketer, your product's investment viability will be judged initially by its gross profit margins. Be prepared to provide an itemized cost of goods sold to support your projections.

## Where to start?



Your projected financial statements should be based on:

1. An analysis of your company's historical financial data or the financial data of other similar businesses.
2. Knowledge of your industry and general economic trends.
3. An estimate of how a proposed financial package will change the future events in the company.

**Sources of information** on which to base your projected revenues and expenses include:

- Trade Journals
- Suppliers to your industry
- Other businesses within your industry
- Government statistics
- Colleges and universities
- Trade Organizations

The public library is also a good source of business information for financial projections, and your business plan in general. Most public libraries have a reference librarian who can help you locate business information. Local Chambers of Commerce, City and State economic development offices and professional research services are all excellent sources of business information.

Revenues for retail stores can be projected based on the number of customers per hour multiplied by the average purchase multiplied by the number of days per month and hours per day the store is open. For instance, through research you determine that your store will have an average of 10 customers each hour, seven will browse and three will end up making a purchase averaging \$12.50 each. If your store is open six days per week, 10 hours per day, the store's weekly gross would be calculated as follows:

$$\begin{aligned} & \mathbf{6 \text{ days} \times 10 \text{ hours} \times 3 \text{ clients} \times \$ 12.50 = \$2,250.00 \text{ per week}} \\ & \mathbf{\$2,250.00 \text{ per week} \times 4.33 \text{ weeks} = \$9,742.50 \text{ per month}} \end{aligned}$$

There is no "right" way to arrive at projection totals. Use the method that results in the most likely attainable figures which can be substantiated.

Another method would be as follows: You are planning to open a retail flower shop. Checking with trade associations you find that the Retail Florist Trade Association of America has statistics that document that the average annual gross revenue of retail florist whose square footage is between 1,800 & 2,500 (as an example) is \$120.00 per square foot.

If your store will be 2,000 square feet and similar in market conditions, you can reasonably project your store will gross \$240,000 per year. If further the florist association statistics detailed gross revenue percentages by month such as 20% in December, 10% in January, 15% in February, etc., these numbers would provide you with reasonable projections for each month of operation.

For a new business, projections are the only way to justify the loan because there are no historical records of the company to demonstrate that the business can repay the loan out of profits. For new businesses the projections demonstrate your ability to repay the loan.

Financial projections should be supported from figures collected from the experience of other similar businesses or industry data. Support for the figures is essential. Most lenders require the loan be paid back from proceeds of the business itself.

Estimates will never be correct, but sales projections are necessary to determine if the business has a theoretical chance of success and repayment of the loan. Actual sales will depend on the ability of the manager as well as the product / service - that is why the lender relies on other important considerations such as evaluation of management.

With gross sales revenue projected, cost of sales can be projected using a markup. Most industries have a normal markup. Your decision to follow the trend, markup at a higher rate or lower rate will depend on you. Make sure you find out what the normal markup is for your industry,

Some expenses can be estimated easily, others require a little more speculation. Some expenses such as insurance and lease payments can be determined by talking with vendors. Utility costs can be determined by asking the utility company for an energy survey or an estimate based on previous occupancy. Other expenses such as payroll or travel will require a little more judgment.

Other expenses like interest cost and depreciation cost can be calculated by using simple math. The PADD provides Excel spreadsheets that can help you to calculate those costs. You will also find spreadsheets that can be used to prepare the financial projections itself:

[http://www.purchaseadd.org/Business\\_Lending/Forms\\_Loans.html](http://www.purchaseadd.org/Business_Lending/Forms_Loans.html)

*Substantiate your projections by including the source or basis of estimates in your assumption statement. The more definite the estimate, the more acceptable the projections will appear to the loan officer.*



New businesses must rely on solid judgment in creating projections. Keep in mind your projections must be reasonable for your industry, type of business, location, customer segment, etc. Don't expect a lender to approve pie-in-the-sky financial projections. Lenders tend to shy away from overly optimistic projections. Your objective is to produce realistic and attainable projections.

Your pro forma financials should provide clear answers to the fundamental questions:

- What major capital purchases will be needed? Property? Equipment? When?
- What changes will be needed in operating cost expenditures? When?
- What personnel-cost changes are expected? When?
- When will the operation break even?

## **Example**

A closed down retail store in prime location is available to rent / lease for \$28,000 per month, including water and heat. The renter will be responsible for electrical costs. The store does not have any inventory but some equipment left that the new renter can use. The applicant is proposing to open a home furnishing / household items store and is requesting a \$468,000 loan with a term of 10 years and a 9.50% interest rate. The loan proceeds will be used to purchase inventory, more equipment, provide some Working Capital as well as allow for a month prepayment in leases.

Total Project Costs are \$520,000 and the applicant is providing 10% (\$52,000) as equity injection. Note that most lenders will not provide a 10 year term for a loan that is mainly used to purchase inventory, but for the ease of this example, a 10 year term was assumed.

### Income Statement

The income statement (profit and loss statement) shows the revenue, expenses, and net income (or net loss) for a period of time. Net income is the amount by which total revenue exceeds total expenses. The resulting profit is added to the retained earnings account in the balance sheet (accumulated earnings of a company since its inception less dividends).

A net loss reduces the retained earnings account. The projected income statements demonstrate that your business has the ability to earn profits over time.

		Year 1	Year 2	Year 3
<b>Income</b>				
Revenues	-	\$ 1,976,000	\$ 2,074,800	\$ 2,178,540
Cost of Sales / Goods Sold (COGS)	-	\$ 1,213,659	\$ 1,274,342	\$ 1,338,059
<b>Gross Profit</b>		<b>\$ 762,341</b>	<b>\$ 800,458</b>	<b>\$ 840,481</b>
<b>Expenses</b>				
Accounting / Legal	-	\$ 6,500	\$ 6,800	\$ 7,115
Advertising & Promotion	-	\$ 15,000	\$ 12,360	\$ 12,731
Bank Charges	-	\$ 41,496	\$ 43,571	\$ 45,749
Salaries & Benefits	-	\$ 246,643	\$ 254,042	\$ 261,663
Consulting Fees	-	\$ 2,400	\$ 0	\$ 0
Insurance	-	\$ 1,000	\$ 1,050	\$ 1,103
Rent / Lease - Facilities	-	\$ 336,000	\$ 336,000	\$ 336,000
Licenses & Fees	-	\$ 500	\$ 510	\$ 520
Maintenance	-	\$ 600	\$ 612	\$ 624
Office Supplies	-	\$ 2,700	\$ 2,754	\$ 2,809
Security	-	\$ 720	\$ 742	\$ 764
Telephone	-	\$ 1,800	\$ 1,836	\$ 1,873
Utilities	-	\$ 4,200	\$ 4,410	\$ 4,631
Miscellaneous	-	\$ 3,600	\$ 3,636	\$ 3,673
<b>Total Operating Expenses</b>		<b>\$ 663,159</b>	<b>\$ 668,323</b>	<b>\$ 679,255</b>
EBIDTA *	-	\$ 99,182	\$ 132,135	\$ 161,226
Depreciation	B	\$ 4,916	\$ 4,916	\$ 4,916
<b>Operating Profit</b>		<b>\$ 94,266</b>	<b>\$ 127,219</b>	<b>\$ 156,310</b>
Interest Expense **	-	\$ 43,199	\$ 40,274	\$ 37,059
<b>Earnings Before Taxes</b>		<b>\$ 51,067</b>	<b>\$ 86,945</b>	<b>\$ 119,251</b>
Income Taxes	-	\$ 17,873	\$ 30,431	\$ 41,738
<b>Net Income</b>	A	<b>\$ 33,194</b>	<b>\$ 56,514</b>	<b>\$ 77,513</b>
Owner Withdrawal		\$ 0	\$ 0	\$ 0
<b>Change in Retained Earnings</b>		<b>\$ 33,194</b>	<b>\$ 56,514</b>	<b>\$ 77,513</b>

\* EBIDTA = Earnings Before Interest, Taxes, Depreciation and Amortization

\*\* A \$468,000 loan with a term of 10 years and 9.50% interest was assumed

## Balance Sheet

The balance sheet is a statement of financial position that shows total assets = total liabilities + owners' equity. Financial position refers to the amount of resources (i.e., assets) and the liabilities of the business on a specific date. The purpose of the balance sheet is to report the financial position of a business at a particular point in time (usually at year end).

Owners' equity is the residual interest, or the amount of the assets to which the owners have claim because creditor claims (liabilities) legally come first. Owners' equity in a business derives from two sources:

- (1) Paid-in capital, which is the investment of cash or other assets in the business by the owner or owners; and
- (2) Retained earnings, which are the accumulated profits of the business less the losses and withdrawals.

		Begin *	Year 1	Year 2	Year 3
<b>Current Assets</b>					
Cash	L	\$ 33,150	\$ 110,697	\$ 210,697	\$ 243,259
Inventory	D	\$ 425,000	\$ 425,000	\$ 424,781	\$ 446,020
Accounts Receivable	C	\$ 0	\$ 0	\$ 0	\$ 0
Prepaid Leases / Prepayments	E	\$ 28,000	\$ 28,000	\$ 28,000	\$ 28,000
<b>Total Current Assets</b>	-	<b>\$ 486,150</b>	<b>\$ 563,697</b>	<b>\$ 663,478</b>	<b>\$ 717,279</b>
<b>Fixed Assets</b>					
Land & Buildings **	H	\$ 0	\$ 0	\$ 0	\$ 0
Equipment, Fixtures & Furniture	H	\$ 33,850	\$ 33,850	\$ 33,850	\$ 33,850
Less: Accumulated Depreciation	-	\$ 0	\$ 4,916	\$ 9,832	\$ 14,747
<b>Net Fixed Assets</b>	-	<b>\$ 33,850</b>	<b>\$ 28,934</b>	<b>\$ 24,018</b>	<b>\$ 19,103</b>
<b>Total Assets</b>		<b>\$ 520,000</b>	<b>\$ 592,631</b>	<b>\$ 687,496</b>	<b>\$ 736,382</b>
<b>Short-Term Liabilities</b>					
Accounts Payable	F	\$ 0	\$ 68,908	\$ 139,654	\$ 146,637
Current Portion Long-Term Debt ***	J	\$ 0	\$ 32,396	\$ 35,611	\$ 39,145
Customer Deposits	G	\$ 0	\$ 0	\$ 0	\$ 0
Other Short Term Debt	I	\$ 0	\$ 0	\$ 0	\$ 0
<b>Total Short Term Liabilities</b>	-	<b>\$ 0</b>	<b>\$ 101,304</b>	<b>\$ 175,265</b>	<b>\$ 185,782</b>
<b>Long Term Liabilities</b>					
Long Term Debt ****	J	\$ 468,000	\$ 406,133	\$ 370,522	\$ 331,377
<b>Total Liabilities</b>	-	<b>\$ 468,000</b>	<b>\$ 507,437</b>	<b>\$ 545,787</b>	<b>\$ 517,159</b>
<b>Equity</b>					
Paid-in Capital	K	\$ 52,000	\$ 52,000	\$ 52,000	\$ 52,000
Retained Earnings	-	\$ 0	\$ 33,194	\$ 89,709	\$ 167,223
<b>Total Equity</b>	-	<b>\$ 52,000</b>	<b>\$ 85,194</b>	<b>\$ 141,709</b>	<b>\$ 219,223</b>
<b>Total Liabilities &amp; Equity</b>		<b>\$ 520,000</b>	<b>\$ 592,631</b>	<b>\$ 687,496</b>	<b>\$ 736,382</b>

\* Pro-Forma Balance Sheet at the time of loan / capital injection

\*\* The business doesn't own any buildings / land and is instead leasing them (see lease expenses in Income Statement)

\*\*\* Includes the amount of principal payments that are scheduled for the next year

\*\*\*\* Includes the amount of principal payments that are scheduled for year 2 and after; the amount in long term debt plus the current portion of long-term debt equals the actual loan balance

## Cash Flow Statement

Revenue does not necessarily mean receipt of cash (money received), and expense does not automatically imply a cash payment (money paid). Net income and net cash flow (cash receipts less cash payments) are different. For example, taking out a bank loan generates cash, but this cash is not revenue since no merchandise has been sold and no services have been provided. Loan repayments consume cash, but do not reduce income - they are recorded as a reduction to liabilities.

In our income statement example (above), although net income for Year 1 was \$33,194, cash flow was \$77,547. The beginning cash balance in Year 1 was \$33,150. Cash flow in Year 1 was \$77,547. Add the two, and the ending cash balance in Year 1 becomes \$110,697. Your statements "tie together." This is a simple check potential investors and lenders will perform.

	*	Year 1	Year 2	Year 3
Net Income	A	\$ 33,194	\$ 56,514	\$ 77,513
+ Depreciation	B	\$ 4,916	\$ 4,916	\$ 4,916
<b>= Gross Funds Flow</b>		<b>\$ 38,110</b>	<b>\$ 61,430</b>	<b>\$ 82,429</b>
./. Change: Accounts Receivable	C	\$ 0	\$ 0	\$ 0
./. Change: Inventory	D	\$ 0	\$ (219)	\$ 21,239
./. Change: Pre-Payments	E	\$ 0	\$ 0	\$ 0
<b>= Total Operating Needs / Uses</b>		<b>\$ 0</b>	<b>\$ (219)</b>	<b>\$ 21,239</b>
+ Change: Accounts Payable	F	\$ 68,908	\$ 70,746	\$ 6,983
+ Change: Customer Deposits	G	\$ 0	\$ 0	\$ 0
<b>= Total Operating Sources</b>		<b>\$ 68,908</b>	<b>\$ 70,746</b>	<b>\$ 6,983</b>
<b>= Net Operating Cash Flow</b>		<b>\$ 107,018</b>	<b>\$ 132,396</b>	<b>\$ 68,173</b>
./. New Assets **	H			
./. Repayment: Short Term Debt	I	\$ 0	\$ 0	\$ 0
./. Repayment: Long Term Debt	J	\$ 29,471	\$ 32,396	\$ 35,613
<b>= Total Non-Operating Needs</b>		<b>\$ 29,471</b>	<b>\$ 32,396</b>	<b>\$ 35,613</b>
+ New Short Term Debt ***	I	\$ 0	\$ 0	\$ 0
+ New Long Term Debt ***	J	\$ 0	\$ 0	\$ 0
+ New Equity ***	K	\$ 0	\$ 0	\$ 0
+ Sale of Assets ****	H	\$ 0	\$ 0	\$ 0
<b>= Total Non-Operating Sources</b>		<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>= Net Change in Cash</b>		<b>\$ 77,547</b>	<b>\$ 100,000</b>	<b>\$ 32,562</b>
<b>+ Beginning Cash</b>		<b>\$ 33,150</b>	<b>\$ 110,697</b>	<b>\$ 210,697</b>
<b>= Ending Cash</b>		<b>\$ 110,698</b>	<b>\$ 210,697</b>	<b>\$ 243,259</b>

\* Search for the corresponding letters in the income statement (profit-and-loss statement) and balance sheet to see where the numbers used in here originated from

\*\* New Fixed Assets purchased / obtained during the last fiscal year

\*\*\* New loans or debts taken on during the last fiscal year. Even if the total amount of debt is lower at the end of the current fiscal year than the year before, it does not necessarily mean that no new debt occurred. If you paid off a huge portion of debt and at the same time took on a new loan (that was maybe used to finance the payoff of other loans), that new loan amount needs to be entered here.

\*\*\*\* Fixed Assets sold during the last fiscal year



## ESTIMATED PROJECTION AND FORECAST OF TWELVE MONTHS' EARNINGS

#	MONTH(S)							FULL YEAR TOTAL
1	<b>REVENUE</b>	Gross Receipts A	\$	\$	\$	\$	\$	\$
2		Gross Receipts B	\$	\$	\$	\$	\$	\$
3		Gross Receipts C	\$	\$	\$	\$	\$	\$
4		Cost of Goods Sold (COGS)	\$	\$	\$	\$	\$	\$
5		<b>GROSS PROFIT</b>	\$	\$	\$	\$	\$	\$
6	<b>EXPENSES</b>	Officer's Salaries (if corporation)	\$	\$	\$	\$	\$	\$
7		Employee Wages	\$	\$	\$	\$	\$	\$
8		Payroll Taxes	\$	\$	\$	\$	\$	\$
9		Other Employee Benefits	\$	\$	\$	\$	\$	\$
10		Accounting and Legal Fees	\$	\$	\$	\$	\$	\$
11		Advertising	\$	\$	\$	\$	\$	\$
12		Rent	\$	\$	\$	\$	\$	\$
13		Depreciation	\$	\$	\$	\$	\$	\$
14		Supplies	\$	\$	\$	\$	\$	\$
15		Utilities	\$	\$	\$	\$	\$	\$
16		Telephone	\$	\$	\$	\$	\$	\$
17		Interest	\$	\$	\$	\$	\$	\$
18		Repairs	\$	\$	\$	\$	\$	\$
19		Property Taxes & Insurances	\$	\$	\$	\$	\$	\$
20		Bad Debts	\$	\$	\$	\$	\$	\$
21		Other	\$	\$	\$	\$	\$	\$
22		Other	\$	\$	\$	\$	\$	\$
23		Other	\$	\$	\$	\$	\$	\$
24		<b>TOTAL EXPENSES</b>	\$	\$	\$	\$	\$	\$
25	<b>PROFIT</b>	<b>NET PROFIT</b>	\$	\$	\$	\$	\$	\$
26		Less Income Tax	\$	\$	\$	\$	\$	\$
27		<b>NET PROFIT AFTER TAXES</b>	\$	\$	\$	\$	\$	\$

I certify the foregoing data fairly represents the financial situation to the best of my knowledge.

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

## ESTIMATED PROJECTION AND FORECAST OF THREE YEARS' EARNINGS (YEAR 2 + 3)

(Attach narrative explaining basis for figures showing receipts, expenses, and profits.)

#	Item	Year 2:	Year 3:	
1	<b>REVENUE</b>	Gross Receipts A	\$	\$
2		Gross Receipts B	\$	\$
3		Gross Receipts C	\$	\$
4		Cost of Goods Sold (COGS)	\$	\$
5		<b>GROSS PROFIT</b>	<b>\$</b>	<b>\$</b>
6	<b>EXPENSES</b>	Officer's Salaries (if corporation)	\$	\$
7		Employee Wages	\$	\$
8		Payroll Taxes	\$	\$
9		Other Employee Benefits	\$	\$
10		Accounting and Legal Fees	\$	\$
11		Advertising	\$	\$
12		Rent	\$	\$
13		Depreciation	\$	\$
14		Supplies	\$	\$
15		Utilities	\$	\$
16		Telephone	\$	\$
17		Interest	\$	\$
18		Repairs	\$	\$
19		Property Taxes & Insurance	\$	\$
20		Bad Debts	\$	\$
21		Other:	\$	\$
22		Other:	\$	\$
23		Other:	\$	\$
24		<b>TOTAL EXPENSES</b>	<b>\$</b>	<b>\$</b>
25	<b>PROFIT</b>	<b>NET PROFIT</b>	<b>\$</b>	<b>\$</b>
26		Less Income Tax	\$	\$
27		<b>NET PROFIT AFTER TAXES</b>	<b>\$</b>	<b>\$</b>

I certify the foregoing data fairly represents the financial situation to the best of my knowledge.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

# BALANCE SHEET

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

Business Address: \_\_\_\_\_

		Pro-Forma	Year 1:	Year 2:	Year 3:
<b>ASSETS</b>					
<b>Current Assets</b>	Cash on hands in banks	\$	\$	\$	\$
	Time deposits and short-term investments	\$	\$	\$	\$
	Accounts Receivable	\$	\$	\$	\$
	(Less: Allowance for doubtful accounts)	\$	\$	\$	\$
	Inventories	\$	\$	\$	\$
	Prepayments	\$	\$	\$	\$
		\$	\$	\$	\$
		\$	\$	\$	\$
<b>Net Total of Current Assets</b>		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Fixed Assets</b>	Land	\$	\$	\$	\$
	Buildings	\$	\$	\$	\$
	Furniture and equipment	\$	\$	\$	\$
		\$	\$	\$	\$
	(Less: Accumulated depreciation)	\$	\$	\$	\$
<b>Net Total of Fixed Assets</b>		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Other Assets</b>		\$	\$	\$	\$
		\$	\$	\$	\$
		\$	\$	\$	\$
	<b>Net Total of Other Assets</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Total Assets</b>		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>LIABILITIES AND EQUITIES</b>					
<b>Current Liabilities</b>	Accounts Payable	\$	\$	\$	\$
	Notes Payable	\$	\$	\$	\$
	Current Portion of Long-Term Liabilities	\$	\$	\$	\$
	Customer Deposits	\$	\$	\$	\$
	Taxes Payable	\$	\$	\$	\$
	Interest Payable	\$	\$	\$	\$
		\$	\$	\$	\$
		\$	\$	\$	\$
<b>Total Current Liabilities</b>		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Long-Term Liabilities</b>	Long-Term Debts (Loans)	\$	\$	\$	\$
		\$	\$	\$	\$
		\$	\$	\$	\$
		\$	\$	\$	\$
	<b>Total Long-Term Liabilities</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Sub-Total Liabilities</b>		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Equity</b>	Paid in Capital	\$	\$	\$	\$
	Retained Earnings	\$	\$	\$	\$
		\$	\$	\$	\$
	<b>Total Equity</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Total Liabilities and Equity</b>		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

## BALANCE SHEET

Preparation of this Form:

- Enter data where appropriate for the current year (right column) and the two years prior the current.
- The term "Equity" is used interchangeably with "Net Worth", "Fund Balance", etc.

Balance Sheet Items	
<i>Current Assets</i>	<i>Current Liabilities</i>
<u>Cash on hand and in Banks</u> Includes undeposited cash and demand deposits.	<u>Accounts Payable</u> Amounts due to creditors for goods delivered or services completed.
<u>Time Deposits and Short Term Investments</u> Funds in savings accounts and certificates of deposit maturing within one year.	<u>Notes Payable</u> Amounts due to banks and other creditors for which a promissory note has been signed.
<u>Accounts Receivable</u> Amounts billed but not paid by customers, users, etc. This is the gross amount before any allowances in item	<u>Current Portion of long-term debt</u> Amount due for principal payment during the next 12 months. Includes any payments which are in arrears.
<u>Allowance for Doubtful Accounts</u> Amounts included in item 3 which are estimated to be uncollectible.	<u>Customer Deposits</u> Funds of various kinds held for others.
<u>Inventories</u> The total of all materials, supplies and finished goods on hand.	<u>Taxes Payable</u>
<u>Prepayments</u> Payments made in advance of receipt of goods or utilization of services. Examples: rent, insurance.	<u>Interest</u> Payable Interest applicable to principal amount in "Current Portion of Long-Term Debt.
List other current assets not included above.	List other payables and accruals not shown above.
<i>Fixed Assets</i>	<i>Long-Term Liabilities</i>
List land, buildings, furniture and equipment separately by gross value.	<u>Long-term debts (loans)</u> List total principal payments to creditors which mature after one year and are not included in line 21.
List other fixed assets	List all other long term liabilities such as bonds, bank loans, etc. which are due after one year.
<u>Accumulated Depreciation</u> Indicate total accumulated depreciation for items above.	N/A
<i>Other Assets</i>	<i>Equity</i>
List other assets not previously accounted for.	<u>Retained Earnings</u> Net income which has been accumulated from the beginning of the operation and not distributed to members, users, etc.
N/A	<u>Paid in Capital</u> Capital injected by business owner(s)

# AGING SUMMARY

## - ACCOUNTS RECEIVABLE (A/R) AND ACCOUNTS PAYABLE (A/P) -

**PURCHASE AREA DEVELOPMENT DISTRICT (PADD)**  
**1002 Medical Drive**  
**Mayfield, KY 42066**

**Note:**

Accounts Receivable and Accounts Payable must match interim balance sheet!

**If you have your own version of an aging summary, please submit in lieu of this version. If you prefer an Excel Spreadsheet instead of this printout version, please contact us.**

Aging	Accounts Receivable	Accounts Payable
Under 30 Days	\$ _____	\$ _____
30 – 59 Days	\$ _____	\$ _____
60 – 89 Days	\$ _____	\$ _____
Over 90 Days	\$ _____	\$ _____
Total:	\$ _____	\$ _____

**Accounts Receivable Detail:**

Please list any customer concentration that are greater than or equal to 10.00% of total Accounts Receivable:

Name	Percentage	Any Issues (Collection, etc.)?
_____	%	_____
_____	%	_____
_____	%	_____
_____	%	_____
_____	%	_____
_____	%	_____
_____	%	_____

Please list any customers with Accounts Receivable over 90 days and indicate whether account is collectable:

Name	Amount	Collectable	Extended Terms
_____	\$ _____	<input type="checkbox"/> Yes <input type="checkbox"/> No	_____
_____	\$ _____	<input type="checkbox"/> Yes <input type="checkbox"/> No	_____
_____	\$ _____	<input type="checkbox"/> Yes <input type="checkbox"/> No	_____
_____	\$ _____	<input type="checkbox"/> Yes <input type="checkbox"/> No	_____
_____	\$ _____	<input type="checkbox"/> Yes <input type="checkbox"/> No	_____
_____	\$ _____	<input type="checkbox"/> Yes <input type="checkbox"/> No	_____
_____	\$ _____	<input type="checkbox"/> Yes <input type="checkbox"/> No	_____

**Accounts Payable Detail:**

Please list Accounts Payable over 90 days and indicate whether you have extended terms and list items:

Name	Amount	Extended	Terms
_____	\$	<input type="checkbox"/> Yes <input type="checkbox"/> No	_____
_____	\$	<input type="checkbox"/> Yes <input type="checkbox"/> No	_____
_____	\$	<input type="checkbox"/> Yes <input type="checkbox"/> No	_____
_____	\$	<input type="checkbox"/> Yes <input type="checkbox"/> No	_____
_____	\$	<input type="checkbox"/> Yes <input type="checkbox"/> No	_____
_____	\$	<input type="checkbox"/> Yes <input type="checkbox"/> No	_____
_____	\$	<input type="checkbox"/> Yes <input type="checkbox"/> No	_____

Applicant Signature: \_\_\_\_\_ Date: \_\_\_\_\_







