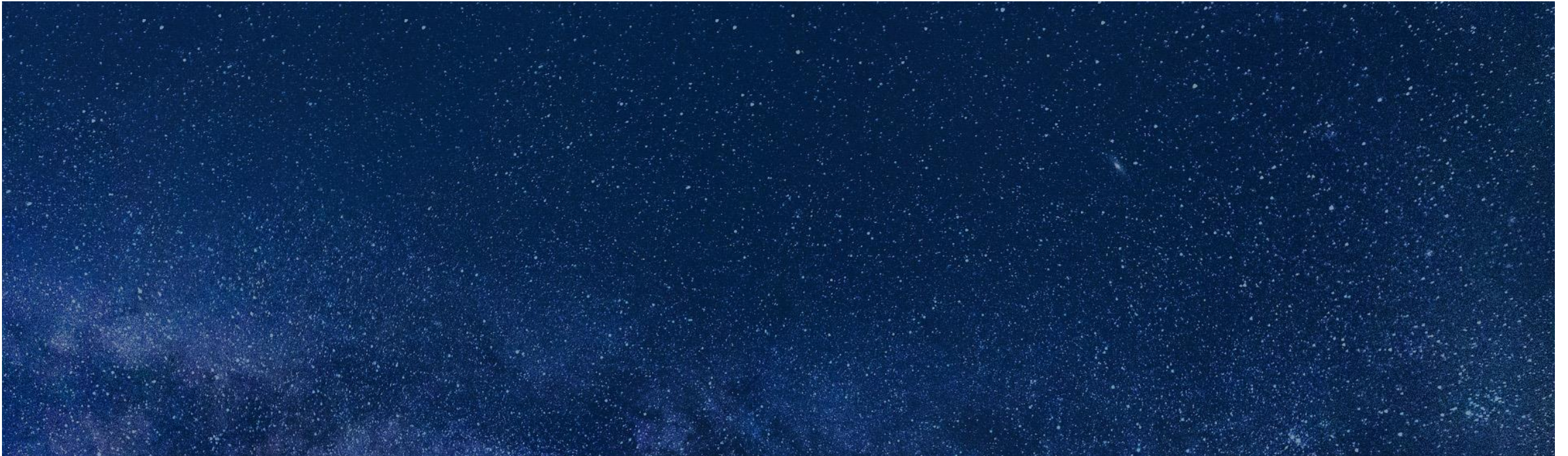


SMALL BUSINESS LESSONS LEARNED FROM COVID-19

KEVIN PECK, CENTER DIRECTOR
EASTERN ARIZONA COLLEGE
SMALL BUSINESS DEVELOPMENT CENTER



HOSTED BY



WHAT IS THE SMALL BUSINESS DEVELOPMENT CENTER?



Funded by a grant from the US Small Business Administration (SBA) and a host institution.

Provides no cost business counseling to current businesses and those just starting.

Offer no/low cost classes and seminar to educate and inform business owners.

Our mission is to help new entrepreneurs realize the dream of business ownership, and assist existing businesses to remain competitive in an ever-changing global economy.



WHAT IS THE SMALL BUSINESS DEVELOPMENT CENTER?



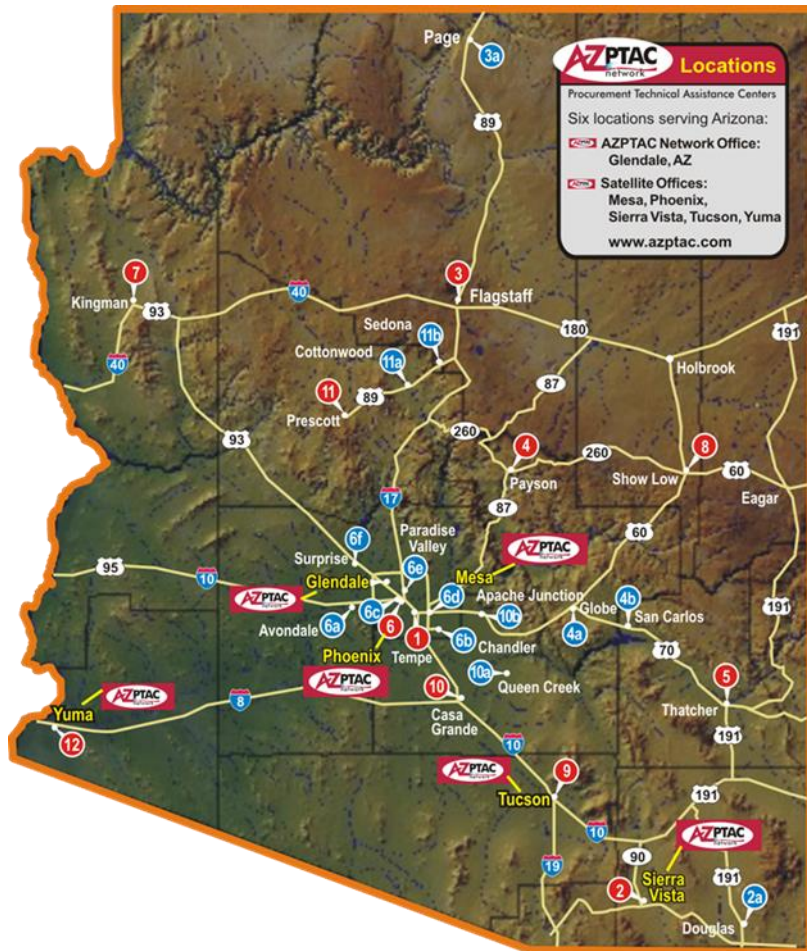
Nearly 1,000 centers

4,500 full-time
counselors

750,000 clients-
businesses served
annually



WHAT IS THE SMALL BUSINESS DEVELOPMENT CENTER?



STATEWIDE NETWORK

26 AZSBDC location
6 AZPTAC offices

Specialties:
International Trade
Government Contracts
Clean Technology



TOP LESSONS LEARNED FROM COVID-19



1. Monthly Financial Accounting
2. Understanding of Cash Flow
3. Employee vs. Contractor
4. Savings/Line of Credit
5. Doing Business Online
6. Importance of Retaining Key Talent
7. Credit Score
8. Supply Chain Management



FINANCIAL RECORD KEEPING



Key Financial Documents:

Monthly Profit and Loss (Income Statement)

Monthly Cash Flow

Balance Sheet (Annual)



PROFIT & LOSS (INCOME STATEMENT)



The profit and loss (**P&L**) statement is a financial statement that summarizes the revenues, costs, and expenses incurred during a specified period, usually monthly, a fiscal quarter or year. The **P&L** statement is synonymous with the income statement.

Profit and Loss Statement Template

[Company Name Here]
[Street Address], [City, ST ZIP Code]
[Phone: 555-555-5555] [Fax: 123-123-123456]
[abc@example.com]

Profit & Loss Statement
For the Period Ended _____

| Income | (\$) | (\$) |
|-------------------------|-------------|-----------------|
| Sales | 0000000 | |
| Services | 00000000 | |
| Other Income | 00000 | |
| Total Income | | 0000000 |
| Expenses | | |
| | (\$) | (\$) |
| Accounting | 0000000 | |
| Advertising | 000000 | |
| Assets Small | 000000 | |
| Bank Charges | 000000 | |
| Cost of Goods Sold | 00000 | |
| Depreciation | 00000 | |
| Electricity | 000000 | |
| Hire of Equipment | 00000 | |
| Insurance | 00000 | |
| Interest | 00000 | |
| Motor Vehicle | 00000 | |
| Office Supplies | 00000 | |
| Postage and Printing | 00000 | |
| Rent | 00000 | |
| Repairs and Maintenance | 000000 | |
| Stationary | 0000 | |
| Subscriptions | 00000 | |
| Telephone | 00000 | |
| Training/Seminars | 00000 | |
| Wages and On costs | 00000 | |
| | | |
| | | |
| | | |
| | | |
| | | |
| Total Expenses | | 00000000 |
| | | |
| Profit/Loss | | 00000000 |



CASH FLOW STATEMENT



A **cash flow statement** is a financial statement that summarizes the amount of **cash** and **cash equivalents** entering and leaving a company. The cash flow statement measures how well a company manages its cash position, meaning how well the company generates cash to pay its debt obligations and fund its operating expenses.

| Cash Flow Statement | | | | | |
|-------------------------------------|------------------|------------------|-----------------|------------------|------------------|
| Category | Qtr 1 | Qtr 2 | Qtr 3 | Qtr 4 | Total |
| Cash Inflows: | | | | | |
| Hogs Sold | \$70,000 | \$65,000 | \$65,000 | \$95,000 | \$295,000 |
| Culls Sold | \$12,000 | | \$12,000 | | \$24,000 |
| Corn Sales | | | | \$78,000 | \$78,000 |
| Custom Work | | \$8,000 | \$9,000 | | \$17,000 |
| Non-Farm Income | | | | | \$0 |
| Total Cash Inflows | \$82,000 | \$73,000 | \$86,000 | \$173,000 | \$414,000 |
| Cash Outflows: | | | | | |
| Purchased Feed | \$38,000 | \$38,000 | \$38,000 | \$48,000 | \$162,000 |
| Vet & Medicine | \$1,500 | \$1,500 | \$1,500 | \$2,000 | \$6,500 |
| Seed & Fertilizer | \$39,000 | \$22,000 | | | \$61,000 |
| Fuel & Oil | \$2,000 | \$2,000 | \$2,000 | \$2,000 | \$8,000 |
| Repairs | \$1,200 | \$1,200 | \$1,200 | \$1,800 | \$5,400 |
| Hired Labor | \$5,500 | \$5,500 | \$5,500 | \$5,500 | \$22,000 |
| Other Expenses | \$2,000 | \$2,000 | \$2,000 | \$2,000 | \$8,000 |
| Supplies | \$4,000 | | \$4,000 | | \$8,000 |
| Storage & Drying | | | | \$6,400 | \$6,400 |
| Hauling | | | | \$7,000 | \$7,000 |
| Chemicals | \$21,000 | \$9,600 | | | \$30,600 |
| Income Taxes | \$550 | \$550 | \$550 | \$550 | \$2,200 |
| insurance | | | \$9,000 | | \$9,000 |
| Family Living Expenses | \$3,200 | \$3,200 | \$3,200 | \$5,000 | \$14,600 |
| Principal Payments - Term Debt | \$3,965 | \$5,451 | | | \$9,416 |
| Interest Payments - Term Debt | \$4,800 | \$38,500 | | | \$43,300 |
| Total Cash Outflows | \$126,715 | \$129,501 | \$66,950 | \$80,250 | \$403,416 |
| Net Cash Flow | -\$44,715 | -\$56,501 | \$19,050 | \$92,750 | \$10,584 |
| Beginning Cash Balance | \$2,500 | \$1,000 | \$1,000 | \$1,000 | \$2,500 |
| Unadjusted Cash Balance | \$42,215 | -\$55,501 | \$20,050 | \$93,750 | \$13,084 |
| Minimum Balance Desired | \$1,000 | \$1,000 | \$1,000 | \$1,000 | |
| Cash Avail. to Repay Operating Loan | \$0 | \$0 | \$19,050 | \$92,750 | |
| Operating Loan Needed | \$43,215 | \$56,501 | \$0 | \$0 | \$99,716 |
| Cumulative Operating Loan Balance | \$43,215 | \$99,716 | \$99,716 | \$87,945 | \$0 |
| Accrued Interest on Operating Loan | \$1,296 | \$4,288 | \$7,279 | \$2,638 | \$0 |
| Interest Paid on Operating Loan | \$0 | \$0 | \$7,279 | \$2,638 | \$9,918 |
| Cash Avail. to Repay Op Loan Prin. | \$0 | \$0 | \$11,771 | \$90,112 | |
| Operating Loan Principal Repaid | \$0 | \$0 | \$11,771 | \$87,945 | \$99,716 |
| Ending Cash Balance | \$1,000 | \$1,000 | \$1,000 | \$3,166 | \$3,166 |



BALANCE SHEET



A **balance sheet** is a financial statement that reports a company's assets, liabilities and shareholders' equity at a specific point in time, and provides a basis for computing rates of return and evaluating its capital structure.

| Example Company Balance Sheet December 31, 2017 | | | |
|---|-------------------|--|-------------------|
| ASSETS | | LIABILITIES | |
| Current assets | | Current liabilities | |
| Cash | \$ 2,100 | Notes payable | \$ 5,000 |
| Petty cash | 100 | Accounts payable | 35,900 |
| Temporary investments | 10,000 | Wages payable | 8,500 |
| Accounts receivable - net | 40,500 | Interest payable | 2,900 |
| Inventory | 31,000 | Taxes payable | 6,100 |
| Supplies | 3,800 | Warranty liability | 1,100 |
| Prepaid insurance | 1,500 | Unearned revenues | 1,500 |
| Total current assets | <u>89,000</u> | Total current liabilities | <u>61,000</u> |
| Investments | <u>36,000</u> | Long-term liabilities | |
| Property, plant & equipment | | Notes payable | 20,000 |
| Land | 5,500 | Bonds payable | 400,000 |
| Land improvements | 6,500 | Total long-term liabilities | <u>420,000</u> |
| Buildings | 180,000 | | |
| Equipment | 201,000 | Total liabilities | <u>481,000</u> |
| Less: accum depreciation | (56,000) | | |
| Prop. plant & equip - net | <u>337,000</u> | | |
| Intangible assets | | STOCKHOLDERS' EQUITY | |
| Goodwill | 105,000 | Common stock | 110,000 |
| Trade names | 200,000 | Retained earnings | 220,000 |
| Total intangible assets | <u>305,000</u> | Accum other comprehensive income | 9,000 |
| Other assets | <u>3,000</u> | Less: Treasury stock | (50,000) |
| Total assets | <u>\$ 770,000</u> | Total stockholders' equity | <u>289,000</u> |
| | | Total liabilities & stockholders' equity | <u>\$ 770,000</u> |

The notes to the sample balance sheet have been omitted.



MANAGING CASH FLOW

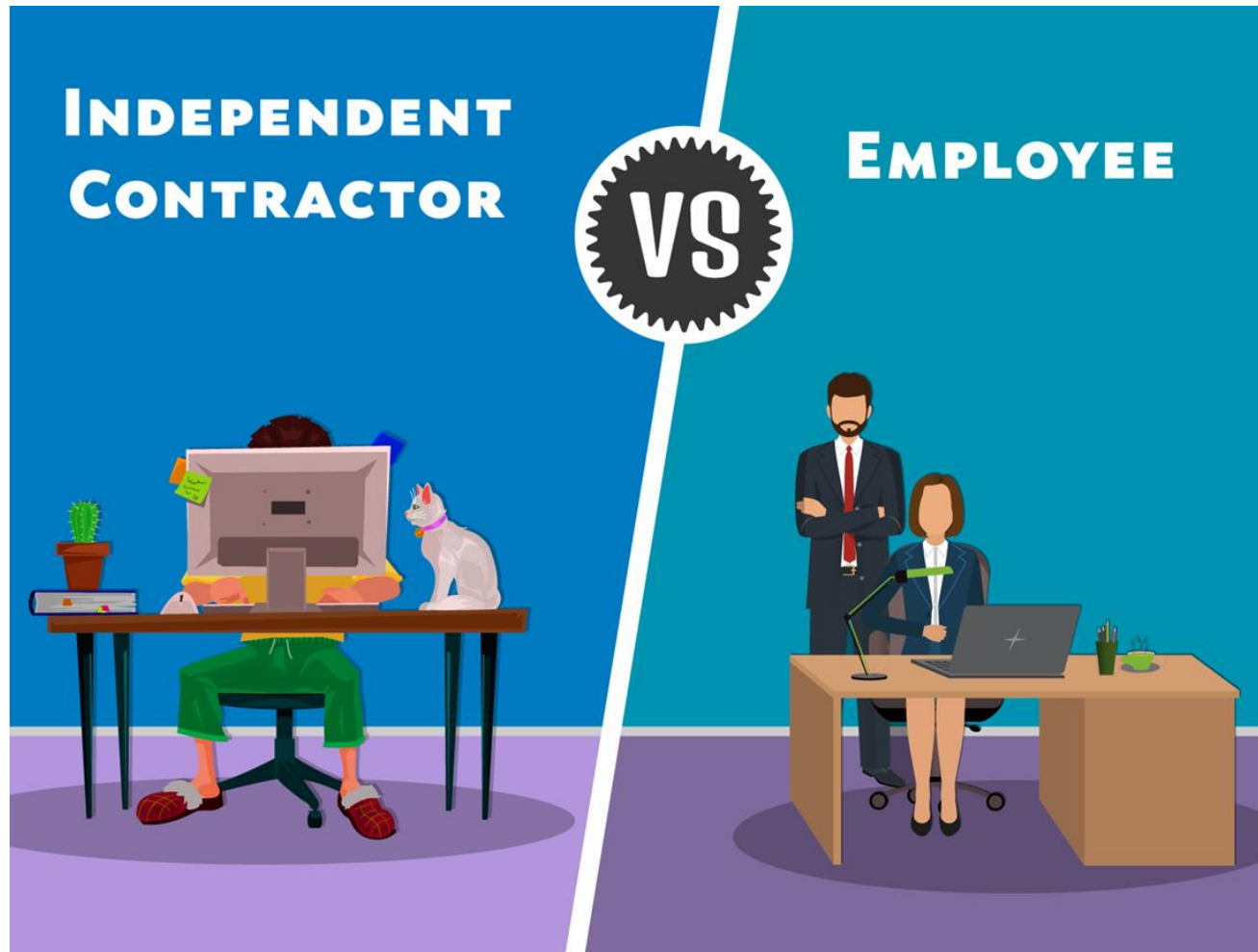


| £ | Jan | Feb | March | April | May | June | TOTAL |
|-----------------------|---------------|----------------|----------------|---------------|---------------|---------------|----------------|
| Opening Balance | 0 | 3,500 | (5,550) | (9,800) | (9,550) | (550) | |
| CASH INFLOW | | | | | | | |
| Sales | 5,000 | 10,000 | 15,000 | 22,000 | 28,000 | 30,000 | 95,015 |
| Business loan | 20,000 | 0 | 0 | | 0 | 0 | 20,000 |
| Total inflows | 25,000 | 10,000 | 15,000 | 22,000 | 28,000 | 30,000 | 115,015 |
| CASH OUTFLOW | | | | | | | |
| Rent | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 12,000 |
| Salaries | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 60,000 |
| Marketing | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 12,000 |
| Loan repayment | 0 | 500 | 500 | 500 | 500 | 500 | 2,500 |
| Equipment | 2,500 | 0 | 0 | 2,500 | 0 | 0 | 5,000 |
| Other outgoings | 5,000 | 5,000 | 4,750 | 4,750 | 4,500 | 4,500 | 28,500 |
| Total Outflows | 21,500 | 19,050 | 19,250 | 21,750 | 19,000 | 19,000 | 119,550 |
| NET CASH FLOW | 3,500 | (9,050) | (4,250) | 250 | 9,000 | 27,000 | 26,450 |
| Closing balance | 3,500 | (5,550) | (9,800) | (9,550) | (550) | 26,450 | |

How to Manage Cash Flow:

1. Monitor your Cash Flow
2. Cut Costs/Spending
3. Stay on Top of Invoicing
4. Improve Receivables
5. Stay on Top of Bookkeeping

EMPLOYEE VS. CONTRACTOR



EMPLOYEE VS. CONTRACTOR



▶ Employees vs. Contractors

▶ The IRS uses three categories to help distinguish employees from contractors:

1. Behavioral Control - who controls what work is accomplished and how the work is done
2. Financial Control - how the business pays the worker
3. Relationship - permanency of the relationship

| Employee | Independent Contractor |
|---|------------------------------------|
| Receives instructions on when, where, and how to work | Sets own schedule and hours |
| Trained by employer | Has a business license |
| Furnished with tools or materials necessary | Has own tools and equipment |
| Continuing relationship with employer | Does same work for multiple people |



SAVINGS/LINE OF CREDIT



BUSINESS LINE OF CREDIT



PREPARE FOR ONLINE BUSINESS



Three Key Areas to Focus:

1. Social Media
2. Local Listings
3. Website

IMPORTANCE OF RETAINING TOP TALENT



How to Retain:

1. Retention Starts With Recruiting
2. Encourage Flexibility
3. Offer Opportunities for Professional Development and Continuing Education
4. Provide Frequent Constructive Criticism & Praise
5. Be Transparent and Open
6. Be Prepared for Turnover



CREDIT SCORE



CREDIT SCORE



SUPPLY CHAIN MANAGEMENT



How to Manage your Supply Chain:

1. Build a resilient and agile supply chain
2. Find Dependable Suppliers
3. Don't Put All Your Eggs in One Basket.
4. Develop Strong Supplier Relationships
5. Plan Continuously
6. Produce In-House

RESOURCES



QUESTIONS?

