Writing a Business Plan

A Step By Step Guide For Success
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Disclaimer: The businesses used in this tool are fictional companies created by the Maine Small Business Development Center (Maine SBDC) to illustrate the major components of the Business Plan. It in no way depicts or represents any known company. Any resemblances or similarities to any other real business is unintentional. This tool is being used as an educational document only.
If you are thinking about writing a business plan you probably have a lot of questions. And that’s a good thing. You want to succeed in your business and feel competent and confident about what you’re about to do. It’s a big deal. The Maine Small Business Development Centers (Maine SBDC) gets it.

**We can help.** The Maine SBDC has been providing free business advising to Maine’s small businesses and entrepreneurs since 1977. We have experienced, knowledgeable, certified business advisors who can help businesses at all stages to provide confidential, individualized business development assistance – at no cost.

**That is why we developed this tool for you.** Writing a business plan is an important step in starting or expanding any business. It assists the business owner(s) by organizing information that describes the business and its operation. As such, it becomes a guide for creating strategic plans to develop a business or to better manage an existing business. A business plan can also provide the information that must be presented to a bank or other investor before a credit decision can be made. Whether you use your own funds or borrowed funds to start up or expand your business, the development of reliable and complete information in a business plan is essential.

This tool is best used in conjunction with a Maine SBDC business advisor or other professional.

Our centers are located around the state. Call us at **800-679-7232** to find out how we can help you or go to our website: **www.mainesbdc.org** for more information or to Request Advising.
Cover Page

The Cover Page is an often overlooked element in many Business Plan Guides. The Cover Page is the first point of contact between your business and any potential lender, underwriter, capital or funding source. You want a neat, attractive, and short looking Cover Page.

The Cover Page acts like a business card for your business – able to portray the essential information for anyone to understand how to contact you.

Make sure your business name is front and center. If this proposal is sitting on a table, you want people to see the name clearly.

Remember to include your contact information. Don’t make the reader hunt for your contact information, make it as easy as possible to get that response.

As you develop the business plan, you will want to note which version is the most up-to-date. This is especially helpful to ensure everyone involved has the same version.

Identify and personalize the report to reflect who you are going to be submitting the report to.

Business Plans are typically developed and written for two basic reasons:

a) An Operating Guide – an internal guide to help YOU understand your business
b) A Financing Proposal – an external guide to help OTHERS understand your business

Make sure that you label the cover sheet appropriately.

For those business owners who prefer their business plans be kept strictly confidential, you can add a disclaimer to the Cover Page along these lines: “This business plan has been submitted on a confidential basis to select individuals. This business plan should not be reproduced or distributed to others without explicit permission from the author.”

Tricks of the Trade: Use a clear plastic cover when you put the Business Plan together in a binder to present to the bank. That way, if the Business Plan is sitting on a desk, the cover page will be easily seen and catch attention.
Executive Summary

The Executive Summary is most likely the first section of the business plan that a potential funder is going to read. It is important to include enough information for the reader to both understand your business and to become interested in how they fit into your plans. No matter what order you complete the Business Plan sections in, the Executive Summary section should always be the section that is revised last before sending the plan to the funder.

The Executive Summary should summarize (while not repeating) elements within the overall Business Plan.

The Executive Summary should answer the basics of:


Three common writing styles you can use to write an Executive Summary are:

A) **Synopsis Summary** – *(Most Common)*

Summarizes the overall business plan, equal emphasis on business concept and operations

B) **Narrative Summary** – More story-like, most emphasis is on problem and concept

C) **Cover Letter** – Much like the Synopsis Summary, but written like a formal letter

The most successful Synopsis Executive Summaries have three components:

1) A clearly stated problem or description of the current conditions that have created the need for your product or service.

2) States or explains how the business will act as a solution with general information about business structure.

3) Highlights what the loan details are; including total loan amount, brief use of funds, collateral for the loan, and who is involved in the deal.

You need to make the Executive Summary enthusiastic, professional, complete, and brief. It should not be more than two pages in length.

For a new business venture, your Executive Summary needs to convey why your new product or service is needed and will succeed. What is it that you are offering that is unique? For businesses that are already existing or expanding, your Executive Summary needs to convey why your business will continue to be successful.

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**Tricks of the Trade:** When you save the final electronic version of your plan, always save it in a PDF format. This way, no matter what software is used to open the Business Plan (Mac, Windows, Android), all of the formatting will be how you intended.
Table of Contents

The Table of Contents is a way to allow your reader to understand what information will be in the plan and where to find it. The Table of Contents is a helpful guide to allow readers a way to identify and find particular information about your plan without having to search through each page of the whole plan. A bank or lender will read the Executive Summary first and then will often want to go to a particular portion of the business plan, most likely the financial section.

The Table of Contents should be straightforward.

The Table of Contents is a quick way for a reader to check if you have addressed all the required information that they will need to make a decision.

The final section of the Business Plan will include an Appendix in which you can provide any additional information concerning your business.

The Table of Contents above is an example. Your business might have more or less components depending on what is pertinent for your business. As noted above, the Financial Section of the business plan is a section that is highly scrutinized by lenders. Often a lender will read the Executive Summary to get an idea of what your business idea is first and then immediately go to the Financial Section second. For this reason, we suggest putting the Financial Section last. That way, the reader will see all the work you did as they flip to the end of the business plan.

Tricks of the Trade: You always START the Business Plan with the Executive Summary and NOT the Table of Contents because the Table of Contents is not going to grab a reader’s attention.
Business Description

The Business Description Section should outline many of the legal and technical aspects of the business. This section should answer “what” the business is. It should indicate the business’s organizational structure, the principal owners and their relationship, and the type of industry and business. This would include any pertinent permits, licenses, insurance, and/or regulations needed by the business in order to operate.

The Business Description should describe who owns the business, clearly show the entity type, and usually has an address to show where the business is going to be located.

Many businesses will want to reflect on their Mission Statement. A Mission Statement is typically under 30 words and is a condensed answer to the following questions:

a) What do we do?
b) How do we do it?
c) Who do we do it for?
d) What value are we bringing?

Your Mission Statement will help you focus on what is most important for the business to operate.

Mission Statement: Pete’s Seats will offer value-seeking moviegoers a superior experience traditionally served at first run movies while watching second run movies at an affordable price.

Pete’s Seats will be a to-be-formed, single member Limited Liability Company registered in the State of Maine. Pete’s Seats is anticipating opening in June of 2019. Peter Movielover will be the 100% sole owner and manager of the business. The company will file to be taxed as a S-Corporation by the IRS. Peter Movielover will be a salaried employee of the company. The proposed site of Pete’s Seats is at 597 Main Street, Gorham, Maine 04038.

Pete’s Seats will be a second run movie theater with 3 screens and will be primarily a retail based business with limited service and food options. As such, Pete’s Seats will have a sales tax certificate, will obtain a license from distributors to show second run movies, will obtain proper food licenses to serve concessions, and will ensure all life safety issues are addressed with the layout of the theater. The Town of Gorham has already preliminarily approved a Use Permit for the space and is awaiting the architectural drawings for approval. It is estimated that the remaining licensing and permits will take approximately 5 months to obtain.

Pete’s Seats will be fully insured and has obtained a quote from Movie’sRUS Insurance Company.

If you are writing this plan for an existing business, you would want to describe the history of the business. When was the business established? What is the current trend? Is the business doing well? Typically you look at the last three years of history and derive comments on how the business has done, how you think that the business will do in the future and why. What changes (if any) do you plan to make?

If you are purchasing the business, you would want to include the above topics and also delve into what the price of the business is and how you came to that number (i.e. breakdown for building, improvements, equipment, inventory, goodwill, etc).

Tricks of the Trade: If your business is going to be seasonal, this should be mentioned in the Business Description Section and also reflected in the Financial Section when you do your projections.
The Operations and Location Section should allow the reader to better understand how this business will run from day to day. This section should answer when the business is in operation and what staffing would be needed to fully operate. It should also include information concerning the desirability of the location and basic location details.

This section is meant to help you understand how long your operations will be open during any given week and how many staff you would need to have available during those times. In addition, this section should help you look at the location specifics.

You will need to determine how many staff members you need to hire. This can be hard and we often suggest a prospective business owner develop a mock employee schedule for a week in order to ensure proper coverage for the hours the business is open.

If you are writing this plan for an existing business, then you would want to describe the current operations and any future changes. Will the business be expanding services or products? Will there be an increase or decrease in staff needs? Will the business location change?

If you do not have a location determined yet, then you can list a general area with criteria that would need to be met; such as “The location of the proposed business will be... within xx miles of downtown Portland, or will be located on a road with an average daily traffic count of xxx, or will be located in a building with an average cost per square foot of xx”.

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Tricks of the Trade: Staff and Location can make or break a business. Often, business owners try to “make it work” when they should have taken more time to consider the choices in the beginning.

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Operations and Location

Pete’s Seats will operate 7 days a week. The hours of normal operations Monday through Saturday will be 11:00 am-midnight, with doors opening to the public at 11:30 am, closing at 10:00 pm. Sunday hours will be 11:00 am – 10:00 pm, with doors opening to the public at 11:30 am, closing at 8:00 pm. Pete’s Seats will allow for movie theater rental, and special events during off hours as needed.

Pete’s Seats will need 5 full-time and 3 part-time staff. The full-time staff will consist of a manager (owner), assistant manager, 2 full-time concessions persons, and 2 full-time ushers. The 3 part-time staff will be floaters working the usher and concessions positions depending on need. Staff wages will start at $12/hr.

Pete’s Seats will be located at 597 Main Street, Gorham Maine. Pete’s Seats will own the commercially zoned building, which meets fire safety regulations and parking requirements. According to the MDOT traffic report, over 10,000 cars pass this location daily. This location is 9 miles outside of downtown Portland and 3 miles from Gorham Center. This location allows for future growth.

Currently the building is a 20,000 square foot commercial building. Renovations to improve and equip the facility to accommodate 3 screens (425 seats), restrooms, office, storage, and a concessions area are estimated at $320,000. See appendix for detailed blueprints, contractor estimates, and equipment/furniture list.

The opening paragraph should clearly state when the business will be open for normal operations during any given week or time period.

The location section of this page should highlight some basic information, such as whether you are leasing or owning, traffic count, zoning, and proximity to other attractions (such as a large downtown area). If your business is online only, then you can highlight that physical location is not a significant factor.

Sometimes adding a picture of the proposed layout or a small local map helps the reader visualize what the business might look like or where the business is located.
Products and Services

The Products and Services Section should highlight what your business does. You should start this section with the product or service that the business will mainly offer. Your business's main offering is usually the product or service that will generate the most revenue for the business or what a customer would primarily think first about your business. Ensure you allow the reader to get a clear picture of what you plan to do and how. Your proposed pricing for your products or services should be mentioned in this section.

You can start this section by reiterating your business’s unique offering. The unique offering is what product or service you are offering that will give your business a competitive edge.

Try to ensure that the price you are going to be charging for your product or service covers these elements:

a) Material or ingredient costs
b) Labor costs
c) Overhead Costs
d) Taxes (estimate 25-30%)
e) Needed Profit Margin

Over time, expenses for the business will increase, so remember to institute a regular price increase at some future point.

**Products and Services**

Pete’s Seats will primarily be offering the traditional movie theater experience for popular feature films. This experience will be the same experience as would be expected at a first run theater, but at a discounted price.

The movies shown will typically be movies out of first run theaters and just before being available for streaming. On average, this period starts 1 month from the movie’s first premier in theaters and ends 2-3 months after the premier. Pete’s Seats will obtain licensing and movies through Criterion, Swank and MPLC (see Appendix for pricing). All tickets will be $5 per person and will be anticipated to rise $0.25 every two years.

Pete’s Seats will offer comfortable sitting chairs. Due to the importance of the chairs, Pete’s Seats is planning to buy mid to high tier versus lower tiered seats (see Appendix for pricing).

Pete’s Seats will operate the theater using digital only film and camera options. This will greatly reduce the cost of the traditional reel films that need to be shipped with extra security and put together manually. Instead, Pete’s Seats will be able to download films as needed after obtaining proper licensing. A digital focus will allow Pete’s Seats to offer more options, such as gaming nights.

Pete’s Seats will offer concessions consisting of popcorn, soda, and candy (see Appendix for proposed menu and pricing). Pete’s Seats will be working with a supplier in Boston, Massachusetts to obtain fountain drinks, napkins, straws, cups, popcorn bags, candy, and popcorn ingredients. Pete’s Seats will use Square as a POS system.

The typical large popcorn and large soda combination will cost $12.50 with average Cost of Goods at 15%.

Pete’s Seats plans to offer the ability to rent the theater out during off hours and possibly one screen during normal hours. The typical theater rental fee is $250/hour or $300/per 90 minute movie.

While you can certainly mention costs, the focus of this section should be on your REVENUE model. A better place to detail Costs would be in the financial projections and supported with materials in the Appendix. As an alternative, some businesses will mention their anticipated profit margin in addition to their pricing in this section.

Technical specifications, drawings, photos, sample menus, sales brochures and other bulky items can be noted and put into the Appendix.

After you address the product or service that brings in the primary revenue of the business, you can then go into detail of any additional products or services that will add revenue.

This portion of the plan should be relatively the same for either a new business or an existing business. For this section, you need to be the expert but talk in layman terms. Try not to use words or terms that are too industry specific or specialized. If you do have to use such terms, clearly identify what those terms mean when you first use the term. Assume that the reader has no knowledge of your industry. Some businesses find it helpful to write this section as if you were talking with a prospective new customer.

*Tricks of the Trade: Some businesses feel that they need to offer their products or services at a lower rate to gain market penetration when they first start. Rather than offering a lower price, offer a temporary discount instead. This way you are offering an additional value to the customer, a discount offers an easy marketing strategy, and everyone understands what your products or services should be worth normally.*
Market/Industry Analysis

The Market/Industry Analysis Section should help the reader understand crucial information about the industry. This section is used to identify the market, its size, growth potential, and industry trends. Examples of information you should include are the relative size (typically stated in total money spent per year), recent sales or growth trends, and expected future growth outlook.

Businesses should think of this section like a funnel. Start with a wide view of the industry, and become progressively focused on your business market as you move down the page. For instance:

- National Industry Trends
- New England Trends
- Maine Trends
- Regional Trends

Online only or international businesses might have an even wider view, starting with the worldwide market and then narrowing to the market they plan to primarily serve or ship.

Finding an annual growth estimate will help you support your 2nd and 3rd year projections.

The Maine Small Business Development Center can order a custom research report from SBDC.net to help you with the Market/Industry Analysis.

Do NOT ignore any red flags that you find during your research. You will need to understand and address any negative trends. The purpose of the business plan is to first convince YOU that your business is feasible. Furthermore, the lender will find this information in their own research. Finding any negative trends first gives you an opportunity to explain how your business will overcome these trends.

There are two kinds of market research you could include in this section:

**Primary Market Research** – This is when you gather your own data specifically about your proposed business. This could be your own traffic count, your results from secret shopping, surveys to potential customers, etc. The research is usually customized for your purposes.

**Secondary Market Research (most common)** – This is information you can find in general about the market or industry. Often, this information comes from databases, articles, books, or the internet. Chambers of Commerce, Libraries, Industry or Trade Associations, or Governmental resources are good data sources.

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Tricks of the Trade: Each industry is broken down by a NAICS (North American Industry Classification System) code number. When researching, you should first determine what your business industry NAICS code is. This number will help you if you enter it with your key search words when searching the internet for industry information.
Competition

The Competition Section should outline what options exist for your prospective customer. This section should not just highlight direct competition (i.e. businesses exactly like yours) but also highlight any other indirect competition (i.e. what other options your prospective customer might have). The “competition” is not necessarily about the type of business. The competition is for the money a customer will spend. Either the customer will spend the money with your business, or they will spend the money at an alternative business or choice. For example, if you are proposing to open a morning donut shop, then your competition will be any alternative (including other donut shops) that the customer might decide on – muffin shop, bakery, fast food, etc. This section should highlight the top 3 but no more than the top 5 or 6 competitors.

You first need to determine how large an area your business operations will cover. For physical locations, this is typically the average drive time you feel a customer would go to get your products or services.

For online only businesses, this is typically a geographic region, usually determined by your ability to either ship products or offer services.

Never end the competition section without describing the competitive advantage that YOUR business will have over the competition. Explain why someone will still choose your product or service despite having other choices in the market.

If you have a lot of competition in the surrounding area, rather than list them all, you can simply have an opening statement acknowledging the competition and letting the reader know you felt the listed competitors were the closest or best competitors.

You should identify your competition by name and location. It is helpful to the reader if you also include the distance the competitor is from your location and their pricing so the reader can develop a mental map of the competitive landscape. Try to identify your competitor’s strength. Why are they a competitor?

If you are writing this plan for an existing business, then you would want to highlight how long your business has been in the market and what market share you have. If you do not know your market share, highlight your sales and any increasing sales trends. If your business has no clear competitive advantage, then you will need to identify if there is enough room in the market to support another business that is similar to the competition.

Tricks of the Trade: Never offer an unsupported, negative opinion of your competitor. Only state facts.
Marketing Strategy

The Marketing Strategy Section is used to identify and clarify your target market (i.e. the ideal customer for your business) and then illustrate how you plan to market your business to get market share. This section can be broken down into three sections. The first section is used to identify the ideal customer. The second and third sections are used to identify your offline and online marketing strategies. Examples of offline strategies are business signs, brochures, print media, business cards, word of mouth, business partnerships, etc. Examples of some online strategies include a company website, Facebook, Google, Instagram, etc.

While everyone might see value in your product or service, the objective of defining your target market is to understand who would definitely be your customer. Think of it this way; out of 100 possible customers, which 5 would be at the front of the line? This helps you identify your CORE customers. Your business will want to focus on the core customers first. Once you build a customer base and have more cash flow, then you can expand your marketing reach. But while your marketing budget is limited, you need to ensure every dollar is being used most effectively – this means being very specific in your marketing efforts.

If you are writing this plan for an existing business, then you would want to describe how you are currently marketing and if this is working. Do you plan to do anything differently?

If your customers are businesses versus individuals, then you can still identify who your ideal target market is by looking at client factors like: industry type, location, size of firm, technology, integration, price preferences, quality, etc.

Tricks of the Trade: You should establish some way to capture how customers hear about you. This can be as easy as starting each customer interaction asking, “How did you hear about us?” or some other way to get the information. This information allows you to fully understand what marketing is working and what is not.
Management

The Management Section should highlight your ability to do two things: 1) that you can do this type of business and 2) that you can manage and run a business in general. This section should include any owners of the business.

The Management Section should identify who will be managing the business and what their roles and responsibilities will be in the business.

Often referred to as the BAIL team; these are the most common professionals that a business will need help from:

- B – Banking
- A – Accounting
- I – Insurance
- L – Legal

Including a list of these professionals lets the reader know that you understand that you might need the help of experts for some aspects of your business. This helps to demonstrate that you are able to reach out for help and support when needed.

Management

Peter Movielover will be the sole owner and manager of Pete’s Seats. Peter has been involved in the movie industry for over 19 years. In 1998, Peter was included in the planning process of designing and building Dreams Cinemas in Orono Maine. This was a similar sized 3 screen, second run movie theater. Further, Peter was able to help as an employee when Dreams Cinemas opened in 1999, learning all the facets of running a theater. Peter worked as an usher, in the concessions booth, helping manage the movie runs, the logistics of staff scheduling, and marketing. Peter also learned the roles and schedules of suppliers and vendors in the business, how to operate the movie equipment, and key resources for movie licensing. This experience will translate into the roles he will need to perform for the business.

For the past two years, Peter has attended the University of Maine in Orono full-time to earn his Masters in Business Administration. This has allowed him to better understand the financial, tax, and legal implications of running a business.

Peter’s mentor, Rick Second, is the owner and manager of Dreams Cinemas in Orono, Maine. As a longtime friend, Rick has committed to providing Peter with advice and help on logistics of opening and running a second run theater. Rick has run Dreams Cinemas successfully for 21 years.

Peter Movielover will obtain the services of the following professionals:
- Banker – Elizabeth Benjamin, Imaginary Savings Bank
- Accountant/Bookkeeper – Alexandra Numbers, Alex’s Books
- Insurance Agent – Nick Covered, Movie’sRUS Insurance Company
- Legal – To be determined before closing

Peter has also met with advisers from:
- The Maine Small Business Development Center
- SCORE, Portland Chapter

The opening paragraph should convey any experience you have in the industry. If you have no experience in the industry, then you will highlight what aspects of your background would make you successful at running this type of business.

Remember to include any pertinent education you might have.

Enlisting the help of mentors in your industry or obtaining services from business advisers like the Maine Small Business Development Center or SCORE (both free) will help bring credibility to your business plan.

If you are writing this plan for your existing business, then you would want to highlight the length of time you have successfully run your business. Stress the job functions that you have been doing and highlight any particular successes that you could attribute to your work. For example, has your business seen sales growth? Have you penetrated a new market? Have you developed and introduced a new product or service?

Tricks of the Trade: Do not simply reiterate what is in your resume (your resume should be included in the appendix). Instead, this section should be used to highlight and go into more detail regarding the portions of your resume you feel are pertinent to the successful operations of this business venture.
Financials: Source & Use of Funds

The Source & Use of Funds Section is a quick one-page document that helps identify where the source of your funding is from and how or what you plan to use the funds for. The use portion of this section can also be thought of as “What Start-up Funds are Needed”. All businesses should assess if they will need any Working Capital. Working Capital is the money needed to pay for day-to-day operations until your business earns enough revenue to pay its own bills. This is often determined in the Cash Flow Statement section.

The bank will look at the Use portion and try to determine how much “Collateral” you have in the proposal. Collateral is any asset that the bank will take if you can’t repay the loan.

The bank will often discount the value of the Collateral from its original price.

Loan terms are often tied to the Collateral’s value and life expectancy, for example:

- Short term loans (usually less than a year) – typically for working capital
- Intermediate term loans (usually 1-10 years) – typically for light equipment (vehicles, etc), buying a business, inventory, etc.
- Long term loans (usually 10+ years) – typically for real estate, commercial boats, and heavy equipment

If you submit a financial proposal to a bank and they inform you that they will not lend you the entire amount that you need, you could try to find a GAP lender. A GAP lender is a lender who can fill the “gap” that might exist between the amount of money you are planning to put in personally for your capital contribution and the amount of money the bank is willing to put in. Common Gap lenders in Maine are the Finance Authority of Maine (FAME), Coastal Enterprises Inc. (CEI), economic development organizations, Councils of Government, and larger cities and towns.

Tricks of the Trade: If you have already put a significant amount of money into your business in the past year, make sure you reflect this money and what it was used for in the Source and Use. Often businesses simply put the loan amount that they are currently looking for and ignore their past contributions.
The Income Statement (often referred to as a Profit and Loss Statement) is a financial statement that shows the Income (Revenues) and Expenses of your business over a period of time (usually a year). The bank will want to see the first year Income Statement broken down by month and then two more additional years shown with annual amounts (these are often called “projections”). To accurately create this statement, you first must understand which of two methods you use to record the income and expenses of the business:

- Cash Method (Most Common) – transactions (sales & costs) are recognized only when cash is exchanged.
- Accrual Method – transactions are recognized when incurred, whether or not cash has been exchanged.

Using one of the above methods, begin with business sales numbers. For businesses with products, sales will often include the term “Costs of Goods Sold” (COGS). This term represents the costs of materials or ingredients needed to create the product. The revenue portion is then followed by Operating Expenses.

### Financial: Income Statement

<table>
<thead>
<tr>
<th>Projected First Year Income Statement</th>
<th>Startup</th>
<th>Opening</th>
<th>Month 3</th>
<th>Month 4</th>
<th>Month 5</th>
<th>Month 6</th>
<th>Month 7</th>
<th>Month 8</th>
<th>Stabilized</th>
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</thead>
<tbody>
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<td><strong>1 Ticket Sales</strong></td>
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<td>$600</td>
<td>$600</td>
<td>$600</td>
<td>$600</td>
<td>$600</td>
<td>$600</td>
<td>$600</td>
<td>$600</td>
</tr>
<tr>
<td><strong>Depreciation</strong></td>
<td>$1,474</td>
<td>$1,474</td>
<td>$1,474</td>
<td>$1,474</td>
<td>$1,474</td>
<td>$1,474</td>
<td>$1,474</td>
<td>$1,474</td>
<td>$1,474</td>
</tr>
<tr>
<td><strong>Credit Card Fees</strong></td>
<td>$457</td>
<td>$393</td>
<td>$393</td>
<td>$393</td>
<td>$393</td>
<td>$393</td>
<td>$393</td>
<td>$393</td>
<td>$393</td>
</tr>
<tr>
<td><strong>Other (Misc)</strong></td>
<td>$150</td>
<td>$150</td>
<td>$150</td>
<td>$150</td>
<td>$150</td>
<td>$150</td>
<td>$150</td>
<td>$150</td>
<td>$150</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>$20,951</td>
<td>$23,130</td>
<td>$23,598</td>
<td>$24,079</td>
<td>$25,036</td>
<td>$26,317</td>
<td>$27,178</td>
<td>$27,942</td>
<td>$27,933</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>$33,684</td>
<td>$37,748</td>
<td>$37,378</td>
<td>$38,178</td>
<td>$39,148</td>
<td>$40,577</td>
<td>$41,398</td>
<td>$42,178</td>
<td>$42,178</td>
</tr>
<tr>
<td><strong>Total Gross Profit</strong></td>
<td>$12,733</td>
<td>$14,610</td>
<td>$13,700</td>
<td>$12,200</td>
<td>$12,030</td>
<td>$12,260</td>
<td>$12,220</td>
<td>$14,236</td>
<td>$14,040</td>
</tr>
</tbody>
</table>

The net profit is calculated each month. It is common for the first months of a business to show a negative number (i.e. the expenses of the business to operate were larger than the revenues the business generated).

Tricks of the Trade: Take good notes on what your assumptions were when you came up with your profit and loss numbers. The Reader will ask you to explain them and you should have a reasonable answer.
## Financials: Cash Flow Statement

The Cash Flow Statement Section shows how cash actually flows in and out of your business. This statement compliments the Income Statement and it can be written in many ways. The Cash Flow Statement example used below first starts with cash flows INTO the business (shown below as Receipts) and then lists cash flows OUT of the business (shown below as Disbursements). You will want to include numbers from your Source and Use Statement in the cash flow. The Source portion will be shown in the Receipts (cash in) portion while the Use portion will be shown in the Disbursements (cash out) section. Similar to the Income Statement, the bank will want you to project the first year (broken down by months) and two more subsequent years for three years total.

### Financial: Cash Flow Statement

<table>
<thead>
<tr>
<th>Pete's Seats</th>
<th>Projected First Year Cash Flow Statement</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Startup</strong></td>
</tr>
<tr>
<td><strong>Cash Receipts</strong></td>
<td></td>
</tr>
<tr>
<td>Ticket Sales Revenue</td>
<td>$15,000</td>
</tr>
<tr>
<td>Concessions Revenue (net)</td>
<td>$4,463</td>
</tr>
<tr>
<td><strong>Total Cash Receipts</strong></td>
<td>$19,463</td>
</tr>
<tr>
<td><strong>Cash Disbursements</strong></td>
<td></td>
</tr>
<tr>
<td>Purchase of Building</td>
<td>$300,000</td>
</tr>
<tr>
<td>Renovation of Building</td>
<td></td>
</tr>
<tr>
<td>Equipment and Furniture</td>
<td></td>
</tr>
<tr>
<td>Working Capital</td>
<td></td>
</tr>
<tr>
<td>Wages (Your Employees)</td>
<td>$2,040</td>
</tr>
<tr>
<td>Payroll taxes and fees</td>
<td>$320</td>
</tr>
<tr>
<td>Movie Distributor Fees</td>
<td>$5,250</td>
</tr>
<tr>
<td>Advertising/Marketing/Website</td>
<td>$5,000</td>
</tr>
<tr>
<td>Prop &amp; Lic Insurance</td>
<td>$4,200</td>
</tr>
<tr>
<td>Utilities</td>
<td>$575</td>
</tr>
<tr>
<td>Property Taxes</td>
<td>$4,150</td>
</tr>
<tr>
<td>Office Expense</td>
<td>$250</td>
</tr>
<tr>
<td>Software</td>
<td>$2,000</td>
</tr>
<tr>
<td>Supplies</td>
<td>$1,500</td>
</tr>
<tr>
<td>Credit card fees</td>
<td>$547</td>
</tr>
<tr>
<td>Other (Misc)</td>
<td>$150</td>
</tr>
<tr>
<td><strong>Total Cash Disbursements</strong></td>
<td>$673,951</td>
</tr>
<tr>
<td><strong>Net Cash Flow</strong></td>
<td>$(20,951)</td>
</tr>
<tr>
<td><strong>Cash On Hand (Working Capital)</strong></td>
<td>$33,000</td>
</tr>
<tr>
<td><strong>Opening Balance</strong></td>
<td>$33,000</td>
</tr>
<tr>
<td><strong>Ending Balance</strong></td>
<td>$33,000</td>
</tr>
<tr>
<td><strong>Closing Balance</strong></td>
<td>$33,000</td>
</tr>
<tr>
<td><strong>Closing Balance</strong></td>
<td>$33,000</td>
</tr>
<tr>
<td><strong>Closing Balance</strong></td>
<td>$33,000</td>
</tr>
</tbody>
</table>

At the bottom of the Cash Flow Statement is a portion that shows the cash “Opening Balance” and “Ending Cash Balance”. These categories reflect both the beginning and ending balance, respectively, for the month in your bank account. A negative Ending Cash Balance means that you did not have enough money in your bank account to pay all the expected expenses of your business for that month. You should NEVER submit a business plan that shows a negative Ending Cash Balance. It is important that you understand how much Working Capital you will need to ensure you can pay all the expected bills.

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**Tricks of the Trade:** To determine if and how much Working Capital you need, look at the “Ending Cash Balance”. If there are any months in which the Ending Cash Balance is negative, your business will need Working Capital. Identify the most negative month for Ending Cash Balance, this amount is how much Working Capital you need.
Financials: Balance Sheet

The Balance Sheet Section reflects a snapshot in time for your business. It lists the assets and liabilities of your business on a particular day. The bank usually asks for a balance sheet that reflects the business position on the day the loan would close and the last day of each tax year for three years. The balance sheet always breaks down into the calculation: Assets = Liabilities and Equity. Assets in a balance sheet are what the business owns while liabilities are how much the company owes. Equity can be determined by subtracting your business Assets from your Liabilities. Equity is also known as your business’s “net worth”.

Assets and Liabilities on the Balance Sheet are broken down into Current and Long Term. Current means anything that will be used within a year while Long Term signifies any asset or liability with a useful life or term of over 1 year.

Depreciation on a Balance Sheet is the reflection that the value (or useful life) of an asset will decline over time. Land is never depreciated.

Equity represents any value from the business operations (revenue or loss) and any investment into or drawn out of the company.

If you are writing this plan for an existing business, then you would want to include up to three years of past historical balance sheets for the bank. New businesses tend to have high liabilities because they are taking on debt to start, while existing businesses tend to have more of a balance. This is because an existing business has had time to pay off debt, accumulate assets, or generate revenue from the business operations.

Tricks of the Trade: It is possible to have negative equity at the start of your business. This is especially true if you are leasing and so have no assets (like purchasing a building) to offset your loan. This is not necessarily a bad thing.
Financials: Break-Even and Ratios

The Break-Even and Ratios Section allows the business owner to truly understand how many products need to be sold or how much services need to be charged in order to cover the costs of running the business. Break-Even is simply the point in time when the business has generated enough revenue to cover total annual costs. This section also allows for a comparison between your business and the Industry Average. The Industry Average is a term used to describe the average financial numbers taken from actual, similar businesses in your industry.

To calculate the Break-Even point, start with your total annual costs. You will also need to understand how you generate revenue. If you have multiple sources of revenue then you will want to understand how much revenue you generate from each source. Then you take how much revenue you generate per product or service and divide that into the total annual costs. Any revenues after this point are profit.

The above are only the bare minimum ratios you would want to have calculated in your business plan. These three ratios are looked at closely by the banks. Many banks will have policies that they will not be able to accept a business plan in which one of these ratios is too low. A common requirement is for the Debt Service Coverage Ratio to be at or above 1.25. Other common ratios: Inventory Turnover, Accounts Receivable Turnover, Working Capital, Debt to Worth Ratio, etc. Depending on your industry, different ratios are more important.

### Financial: Break-Even and Ratios

#### Break-Even Analysis:

Pete’s Seats is estimating to generate $327,922 in gross profit (after subtracting 15% Concession Sales COGS) for the first year. Of this gross profit, 77% is generated from movie ticket sales while 23% is generated from concessions sales.

Total operating expenses for the first year equals $312,204. If we break this down into 77% and 23% to reflect the percentages for movie ticket sales versus concessions sales, we get $240,397 and $71,807 respectively.

At $5/movie ticket, the break-even movie ticket sales point of $240,397 would be reached after selling 48,080 tickets. At $11.90/concession sales per customer (accounting for 15% COGS), the break-even concession sales point of $71,807 would be reached after 6,035 sales.

Break-even is reached in Month 11.

#### Ratios:

Using a ProfitCents Report (see Appendix) obtained from the Maine Small Business Development Center below are Pete’s Seats Ratios versus the Industry Average Ratios:

<table>
<thead>
<tr>
<th></th>
<th>Pete’s Seats</th>
<th>Industry Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Ratio</td>
<td>1.46</td>
<td>1.10</td>
</tr>
<tr>
<td>Debt Service Coverage Ratio</td>
<td>1.24</td>
<td>3.62</td>
</tr>
<tr>
<td>Net Profit Margin</td>
<td>4.6%</td>
<td>4.04%</td>
</tr>
</tbody>
</table>

Industry Average is compiled using 2017 data for businesses in the US-Northeast with NAICS code 512131.

Tricks of the Trade: The Bank will pull the Industry Average and compare your numbers. The Industry Average is just a tool to help the bank understand what to expect and see if your numbers are in line with those expectations. If your numbers are outside the Industry Average, make sure to explain this in detail in the business plan.
The Appendix Section of the plan is where you would want to put all the additional details that help support your business plan. You should strive to keep the main portion of the business plan around 15 pages and be very clear and to the point. The Appendix Section can be much longer and gets into more specific details that are not needed in the main portion. For example, the main portion of the plan should list the total cost of the equipment to be purchased while the Appendix should contain a detailed list of what that equipment is.

The Appendix Section should almost always contain (at a minimum) a resume, a personal financial statement, 3 years of personal tax returns, and up to 3 years of business tax returns (if this is an existing business).

Part of the purpose of the Appendix Section is to provide proof to the numbers in your projections. Any information that can verify costs, such as lease or purchase costs reflected in lease or sales agreements, quotes for supplies or equipment from vendors, or quotes from contractors concerning construction or renovations, should be included.

If you are writing this plan for an existing business, then you would want to include up to 3 years of past business tax returns. In addition, you should strive to include a 3-year historical, annual summary of past sales and expenses in the financial section. This helps provide proof of expected future expenses for an existing business.

Examples of other items that could be included in the Appendix are: copies of any contracts, letters of intent, patent information, marketing data not shown in marketing section, license information, etc.

Tricks of the Trade: If you strive to include many of the materials that you know the bank will want (resume, tax returns, personal financial statements, etc.) then you will greatly reduce the time you need to wait for a decision.
MAINE SBDC LOCATIONS

AUGUSTA
Maine SBDC/CEI
Finance Authority of Maine
5 Community Drive
Augusta, ME 04332
207-620-3521

ELLSWORTH
Maine SBDC/CEI
210 Main Street, Suite 7
Ellsworth, ME 04605
207-664-2990

LEWISTON/AUBURN
Maine SBDC/Androscoggin Valley Council of Governments
One Cumberland Place – Suite 306
Bangor, ME 04401
Auburn, ME 04210
207-942-1744

BANGOR
Maine SBDC/CEI
One Cumberland Place – Suite 306
Bangor, ME 04401
207-942-1744

BUCKET/SAO
Maine SBDC/University of Southern Maine
Biddeford-Saco Economic Development Corporation
20 Pomerleau St., 3rd floor
Biddeford, ME 04005
207-613-1352

PORTLAND
Maine SBDC/University of Southern Maine
55 Exeter Street
Portland, ME 04104-9300
207-780-4949

BRUNSWICK
Maine SBDC/CEI
30 Federal Street
Brunswick, ME 04011
207-504-5886

WATERVILLE
Maine SBDC/CEI
Mid-Maine Chamber of Commerce
50 Elm Street
Waterville, ME 04904
207-319-4316

CARIBOU
Maine SBDC/Northern Maine Development Commission
11 West Presque Isle Road
Caribou, ME 04736
207-493-5765

WISCASSET
Maine SBDC/CEI
297 Bath Road
Wiscasset, ME 04578
207-573-5073

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