

SCORE
Building Businesses & Jobs for America

Success

Capital | Bootstrapping 101©

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SCORE®
Counselors to America's Small Businesses

- Over 320 Chapters nationwide
- Over 11,000 Volunteers
 - Serving over 360,000 Clients
- 75+ Volunteers in Los Angeles County
 - Over 13,000 interactions
- Active & Retired Entrepreneurs and Executives

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Our Mission...

To provide professional guidance and information to maximize the success of America's existing and emerging small businesses.

We create Success Stories...

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Strategies for Funding Success
By Dr. Stephanie Ardrey, DBA

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Dr. Stephanie Ardrey, DBA

CEO, BLU DIAMOND GROUP, INC.
Blu Diamond Advisory | Blu Diamond Capital
Entrepreneur | Executive | Educator

- Solutions:
 - customers – acquisition + retention
 - capacity – leadership development + organizational management
 - capital – debt + equity solutions

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Media

Dr. Stephanie Ardrey | Media Coverage

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Clients | Sample

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Agenda

- Learning Objectives
- Funding Goals
 - Situational Analysis
 - SWOT
- Vision + Mission
- Funding
 - Debt
 - Equity
- Q&A

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Strategic Fiscal Planning Process

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COMPANY VALUE CHAIN

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Business/Product Lifecycle

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THE RELATIONSHIP BETWEEN STRATEGY AND BUSINESS MODEL

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The Importance of Cash

“Everything is about cash – raising it, conserving it, collecting it.”
 Guy Kawasaki

Common cause of business failure:

Cash crisis!



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Financing a Business

- Entrepreneurs must cast a wide net to capture the financing they need to launch their businesses.
- Layered financing – piecing together capital from multiple sources.



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Three Types of Capital

Capital is any form of wealth employed to produce more wealth for a firm.

1. **Fixed –**
 1. Used to purchase the permanent or fixed assets of the business (e.g., buildings, land, equipment, and others).
2. **Working –**
 1. Used to support the small company's normal short-term operations (e.g., buy inventory, pay bills, wages, or salaries, and others).
3. **Growth –**
 1. Used to help the small business expand or change its primary direction.

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Funding

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Equity Capital

- Represents the personal investment of the owner(s) in the business.
- Is called *risk capital* because investors assume the risk of losing their money if the business fails.
- Does *not* have to be repaid with interest like a loan does.
- Means that an entrepreneur must give up some ownership in the company to outside investors.



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- Equity
 - Owner's
 - FFF's
 - Angels, HNW, Family Offices, VCs, and/or Institutional

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Debt Capital



- Must be repaid with interest.
- Is carried as a liability on the company's balance sheet.
- Can be just as difficult to secure as equity financing, even though sources of debt financing are more numerous.
- Can be expensive, especially for small companies, because of the risk/return tradeoff.

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- Debt
 - Loans
 - Collateral
 - Dividends
 - Royalties/401K
 - Insurance

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The "Secrets" to Successful Financing

1. Choosing the right sources of capital is a decision that will influence a company for a lifetime.
2. The money is out there; the key is knowing where to look.
3. Raising money takes time and effort.

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The "Secrets" to Successful Financing

4. Creativity counts. Entrepreneurs must be as creative in their searches for capital as they are in developing their business ideas.
5. The Internet puts at entrepreneur's fingertips vast resources of information that can lead to financing.

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The "Secrets" to Successful Financing

6. Be thoroughly prepared before approaching lenders and investors.
7. Entrepreneurs should not underestimate the importance of making sure that the "chemistry" among themselves, their companies, and their funding sources is good.

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Raising Seed Capital

- "Out of 3,000 entrepreneurs pitching to raise capital 99% of them are not even ready for the funding."

Tim Williamson, cofounder, The Idea Village incubator

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Raising Capital

- Raising capital to launch or expand a business is a challenge.
- Many entrepreneurs are caught in a "credit crunch."
- Financing needs in the \$100,000 to \$3 million range may be the most challenging to fill.



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- Start-Up – friends and family
 - Initial cash infusion
 - Usually cheap, easy and fast
 - Based upon personal assets and credit profile
- Angel
 - Individual/group HNW investors
 - Will require equity interest in firm
 - Must be high growth industry
 - Exit strategies must be determined

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Angels

- An estimated 258,000 angels across the U.S. invest \$26 billion a year in 57,000 small companies.
- Their investments exceed those of venture capital firms, providing more capital to 15 times as many small companies.
- Angels fill a gap in the seed capital market, specifically in the \$10,000 to \$2 million range.

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Angels

- Average angel investment = \$50,000.
- Typical angel invests in one company per year, and the average time to close a deal is 67 days.
- 52% of angels' investments lose money, but 7% produce a return more than 10 times their original investment.
- Angels can be an excellent source of "patient" money.

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Angels

<https://gust.com/>

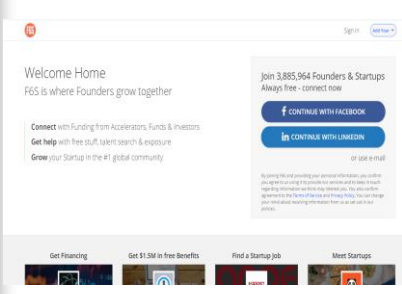
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Angels

<https://www.f6s.com/>



Welcome Home
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Angels

<https://angel.co/>

#AngelList

Join the world's largest startup community

Experience the startup ecosystem — invest in startups, research the fastest-growing companies, and find a job you love.

AngelList Talent AngelList Venture Product Hunt

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- Business Incubators/Accelerators
 - Minimizes start-up costs
 - Access to equity sources
 - Access to private, state and federal resources
 - Equity and fees

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techstars Y Combinator Excelerate

LaunchBox KICKLABO TECH WILDCATTERS

DREAMIT VENTURES BRANDERY CAPITAL FACTORY

NYC SeedStart Betaspring

alpha lab BoomStartup

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- Crowdfunding
 - What
 - Why
 - How it works
- Crowdfunding
 - Equity versus product
- Creating a campaign

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- Microloans
 - SBA program - guarantees
 - Good for working capital, inventory, supplies, etc.
- Bank Term
 - Commercial loans with fixed interest rates
 - Credit based –short term

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<https://www.sba.gov/funding-programs>



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- CDFIs
 - Typically considered un-bankable loans
 - Modest pricing
 - Credit based – yet not as strict as traditional lending institutions

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<http://www.cdfifund.gov/>



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- Private Guarantee
 - Like SBA loan guarantee
 - Individuals may require equity stake
 - Credit enhancement for a fee
- Equipment Leasing
 - Financing against equipment
 - Credit based
 - Moderately priced

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Financial Statements

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Basic Financial Statements

- Balance Sheet – “Snapshot.”
 - Estimates the firm's worth on a given date;
 - built on the accounting equation:
- Assets = Liabilities + Owner's Equity

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Worksheet: Financial - Financial Statements

1 End of Any month, Comparison Columns
2 end of last annual year

3 April 30, 2003 December 31, 2002

4 XYZ Corporation Inc.
5 BALANCE SHEET

	Notes	April 30 2003	December 31 2002
ASSETS			
Current Assets			
11 Cash	5	269,008	318,697
12 Accounts Receivable	7	1,479,934	1,538,494
13 Inventories	8	488,825	520,113
14 Prepaid Expenses	9	31,120	23,659
15 Total Current Assets		2,258,987	2,400,963
Property and Equipment (At Cost)			
16 Land & Building	10	603,247	677,391
17 Machinery and Equipment		345,595	306,052
18 Furniture and Fixtures		53,172	47,905
19 Total Property and Equipment		1,002,014	1,031,348
20 Less: Accumulated Depreciation		(428,573)	(419,540)
21 Net Book Value		573,441	611,808
Other Assets			
22 Investment in Revenue Bond	12	326,068	300,260
23 Patents, Trademarks and Goodwill	13	46,764	52,300
24 Total Other Assets		372,832	352,560
25 TOTAL ASSETS		3,196,667	3,285,232

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Basic Financial Statements

- Income Statement (P/L)– “Moving picture.” Compares the firm’s expenses against its revenue over a period to show its net income (or loss):
- Net Income = Sales Revenue - Expenses

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Zappos Profit And Loss Statement

Zappos Profit And Loss Statement: 2008 - 2007

	2008	2007
Net Revenues	\$635,811	\$338,823
Cost of Revenues	\$412,650	\$333,884
Gross Profit	\$223,161	\$104,939
Operating Expenses:		
Sales, Marketing, Fulfillment	\$539,385	\$333,360
General and Administrative	\$23,041	\$18,962
Product Development	\$25,262	\$18,224
Total Operating Expenses	\$587,688	\$370,546
Income From Operations	\$35,473	\$34,393
Interest and Other Income, Net	\$639	\$751
Interest Benefit (expense) Associated With Preferred Stock Warrant	\$9,430	—
Other Interest Expense	—	—
Other Financing Charges	—	—
Income Before Provision for Income Taxes	\$25,342	\$34,393
Provision for Income Taxes	—	—
Net Income From Continuing Operations	\$25,342	\$34,393
Discontinued Operations, Net of Tax	—	—
Net Income	\$25,342	\$34,393
Advertising Costs	\$72,400	\$52,500
Ad to Sales Ratio	11.4%	16.0%
Gross Profit Percentage	35.2%	36.6%
EBIT as % of Net Sales	4.0%	2.9%

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Basic Financial Statements

- Statement of Cash Flows – Shows the change in the firm's working capital over a period by listing the sources and uses of funds.

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	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
RECEIPTS						
State Charter	\$12,400	\$12,500	—	\$25,000	\$12,200	\$12,600
United Way	9,450	—	9,450	—	9,450	—
Donations	1,450	2,000	4,300	1,200	1,200	1,200
Hourly Fees	2,450	2,500	2,200	2,200	2,200	2,200
Loans Received	—	—	—	12,000	—	—
TOTAL RECEIPTS	\$25,750	\$17,000	\$18,950	\$40,400	\$25,150	\$16,000
DISBURSEMENTS						
Salaries	\$19,550	\$19,550	\$19,550	\$19,550	\$19,550	\$19,550
Fringe	3,519	3,519	3,519	3,519	3,519	3,519
Rent	1,320	1,320	1,320	1,320	1,320	1,320
Legal	—	—	450	—	—	—
Debt Service	—	—	—	860	860	—
Capital Purchase	—	—	—	15,000	—	—
Insurance	1,800	—	—	—	—	—
Telephones	246	250	250	250	250	250
TOTAL DISBURSEMENTS	\$26,435	\$24,639	\$25,089	\$39,639	\$25,499	\$25,499
STARTING CASH	\$15,450	\$14,745	\$7,106	\$(2,033)	\$(1,272)	\$(1,621)
RECEIPTS	25,750	17,000	15,950	40,400	25,150	16,000
DISBURSEMENTS	26,435	24,639	25,089	39,639	25,499	25,499
ENDING CASH	\$14,745	\$7,106	\$(2,033)	\$(1,272)	\$(1,621)	\$(11,120)
GOAL – 30 Days Cash	24,639	25,089	39,639	25,499	25,499	

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Notes to Financial
Statements

-Don't forget to include-

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Research Resources

- www.ceoexpress.com
- www.census.gov
- www.sba.gov
- <http://www.cdfifund.gov/>
- <https://gust.com/>
- <https://angel.co/>
- <https://www.f6s.com/>

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The Numbers Matter...breakeven analysis

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Calculating the Breakeven Point

- Step 1.** Determine the expenses the business can expect to incur.
- Step 2.** Categorize the expenses in step one into fixed expenses and variable expenses.
- Step 3.** Calculate the ratio of variable expenses to net sales. Then compute the contribution margin:

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Calculating the Breakeven Point

Contribution Margin = $1 - \frac{\text{Variable Expenses}}{\text{Net Sales Estimate}}$

Step 4. Compute the breakeven point:

Breakeven Point (\$) = $\frac{\text{Total Fixed Costs}}{\text{Contribution Margin}}$

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Q&As

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Blu Diamond Advisory

- Capital – strategies including assessing and recasting fiscal policies
- Capacity – process improvements, leadership and innovation development
- Customers – acquisition and retention strategic solutions

Blu Diamond Capital

- Commercial Brokerage
- Business – acquisition and dispositions
- Funding – commercial lending
- Real Estate – lease, purchase and dispositions

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THE END

THANK YOU FOR ATTENDING
PLEASE COMPLETE
EVALUATION

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