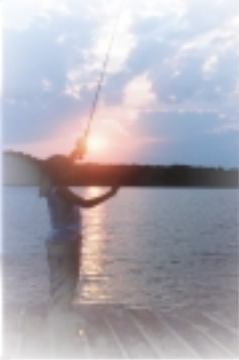




# **BUSINESS PLAN FOR SPECIAL USE PERMITS**



## **Training Manual**



*Before you begin, we'd like a word with you . . .*



“We are the Association of Small Business Development Centers, and we are proud to serve both the private and public sectors with small business expertise. Our National Memorandum of Understanding with you, the USDA Forest Service, is an exciting, new advancement in interagency cooperation and technical transfer.

We applaud the bold principles upon which your Recreation Agenda is premised, and we stand ready to help you address the challenges of managing 192 million acres of public land, while improving the efficiencies of visitor services.

After you work through this manual, you’ll find a directory of local Small Business Development Centers in your state to contact for further business training and support.”

Donald T. Wilson, ASBDC President/Ceo



# Forest Service Small Business Development Center Staff Training

Why are we here?

As Forest Service Employees, you are dedicated to providing quality customer service while protecting the natural resources of the forest. Many of your customers are served through private business operating on the National Forest. These businesses are becoming more complex everyday, and it is likely that you are struggling to understand the intricacies of these businesses.

As permit administrators, it is important that you understand basic business principles. This will serve you well in your personal life, as well as your professional career. To help with this scenario, the Forest Service and the Small Business Development Center (SBDC's) have joined together to expand your expertise.

This partnership began with the Grand Mesa, Uncompahgre, Gunnison (GMUG) National Forest, the SBDC, and the Colorado Outfitters Association worked together to develop a business plan for potential and existing permittees. Since then, the partnership has expanded to become a statewide effort.

So, why is this course relevant to you? The Code of Federal Regulations requires special use permit holders to be **financially responsible**. It is your job to select a permittee with strong financial capabilities. In order to review the components of a business plan, you must have basic understanding and knowledge of a balance sheet, income statement, and break-even analysis.

Evaluating applicants as a prospectus process has become an overwhelming task. Once a permittee has been selected, the Forest Service wants the business to be a viable and profitable operation. Interpreting financials is necessary throughout the business planning process. Areas that are sometimes confusing include selling a business or selling business assets, as well as when the agency becomes involved in bankruptcies and defaults due to business failure.

The Forest Service is putting a great deal of effort into becoming more customer focused and business oriented. This is a long process; however, it is one that can be accomplished when internal employees become knowledgeable in business principles.

Communication with permit holders will greatly improve as a result of this training, and our partnership will build more successful business activity.

*Why are  
we here?*

*So, why is  
this course  
relevant to  
you?*

# Table of Contents

<b>PROSPECTUS PROPOSAL COVER PAGE</b>	<b>5</b>
<b>Part I. The Business .....</b>	<b>6</b>
— Purpose and Goals	
— Description of the Business	
— Legal Structure	
— Location of Your Business	
— Market and Customers	
— Competitive Analysis	
— Management	
— Personnel	
<b>Part II. Financial Data .....</b>	<b>17</b>
— Capital Equipment List	
— Start-up Expenses	
— Mastering the Numbers I	
Income Statements & Balance Sheets	
— Mastering the Numbers II	
Income Statement & Cash Flow Projections	
Case Studies from the Forest Service	
<hr/> <hr/>	
<b>Part III. Historical Financial Reports for Existing Business .....</b>	<b>35</b>
<b>Part IV. Supporting Documents .....</b>	<b>36</b>
<b>Part V. Appendices .....</b>	<b>37</b>
— Glossary of Terms .....	38
— Legal Entity Formation .....	40
— Break Even Analysis .....	44
— 11 Good Reasons to Know Your Market! .....	45
— Available Business Resources .....	46



Name of Company: \_\_\_\_\_  
 Address: \_\_\_\_\_  
 Company Contact: \_\_\_\_\_  
 Phone: \_\_\_\_\_

(check one)

Proposal in Response to the Prospectus for:

\_\_\_\_\_

on the

\_\_\_\_\_ District

\_\_\_\_\_ Forest

or

Proposal for Transfer of Permit Currently Permitted to:

Existing Permittee Name \_\_\_\_\_

Address \_\_\_\_\_

on the

\_\_\_\_\_ District

\_\_\_\_\_ Forest



# **Part I The Business**

# PURPOSE AND GOALS

As we proceed through our business careers, it is vital that we set goals for the future. Although this is difficult and time consuming, the final reward is worth the effort. As you fill in the following, be as realistic as you can. Answers you develop now will be the basis of your business plan.

*What is your purpose in pursuing this business?*

*Define your business goals for the next year and what you foresee five years from now.*

# DESCRIPTION OF THE BUSINESS

This section should describe the nature and purpose of the company, background on its industry, and what opportunities you see for its products or services. It provides you with insights that allow you to better correlate the projections and estimates presented in subsequent sections.

*Brief description of the business.*

*Briefly describe your knowledge of this industry.*

*List the products and services you will provide.*



# LEGAL STRUCTURE

There are several ways in which your business can be legally organized. To determine the best one for you and your organization, you need to seek competent legal and tax advice. To give you a general frame of reference, the more popular forms and their reasons for uses are outlined in Part V Appendices.

*How is your company legally organized?*

*Why is this legal organization most appropriate for your business?*

*Does your operation require a state registration number? Yes \_\_\_ No \_\_\_ If "Yes," please include a copy of the registration in the Supporting Documents.*

*Include any appropriate information, shareholder or partnership agreements in the Supporting Documents and complete the following list of owners:*

Name	Address	SSN	% Ownership
------	---------	-----	-------------

_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

# MARKET AND CUSTOMERS

The purpose of this section is to present sufficient facts to convince the evaluator that the product or service has a substantial market and can achieve sales in the face of the competition. Discuss who are the customers for the anticipated product or service. Where are the major purchasers for the product or service?

*Describe your anticipated target market (e.g., age, income, and hobbies, regional, national, international).*

*Describe the size of the current total market and potential annual growth.*

*Discuss your advertising campaign in terms of how you will advertise, when, where, and estimated annual cost.*

# MARKETING PLAN

## EXERCISE

Wild Water Adventure Outfitters, Inc., which was founded in 1985, conducts a multi-day and daily whitewater rafting business on a number of rivers in Colorado, Wyoming, and Idaho. Retail sales consist of logo merchandise and convenience goods as well as wet suit rentals. Seventy-five% (75%) of the income received is from rafting and twenty-five% (25%) received from retail sales.

### **Wild Water Adventure Outfitters, Inc. (strengths)**

On-river customer service is strong. The guides are technically proficient and their interpretative skills are excellent. Equipment is state-of-the-art and well maintained.

Internal referrals are strong, total passenger revenue is increasing and retail product sales are on the rise. Although general and administrative expenses appear well managed, net income before distribution is stagnant.

Wild Water Adventure Outfitters, Inc. has a major share of the whitewater market in its 3-state area, but it is not the market leader. Despite a weakening economy, a growing market for adventure travel exists. A 2001 assessment of future demographic trends predicts more multi-day passengers versus single-day river occupants.


### **Wild Water Adventure Outfitters, Inc. (weaknesses)**

Marketing is lackluster and lacks direction. Capacity utilization is below average. The gross profit margin is sub-par and net income is restricted which compromises capital adequacy.

Financial analysis indicates Wild Water Adventure Outfitters, Inc. is under potential, under managed, and under capitalized.

### **Goals:**

Management must revitalize the company and increase its market share. The primary goal is to grow the number of multi-day passengers and increase capacity utilization. An important secondary goal is to increase retail sales.



If management can achieve these goals, Wild Water Adventure Outfitters, Inc. will economize on production cost and increase the gross profit margin. The synergism of a rise in gross profits and stronger general and expense management will increase net profit.

A new marketing plan is paramount for the success of this organization. The marketing plan must focus on increase lead generation and growing passenger traffic for river trips. Wild Water Adventure Outfitters, Inc. needs your valuable assistance in identifying a new customer base and how to reach them.

Your group assignment is to re-establish a marketing plan for Wild Water Adventure Outfitters, Inc. Come up with as many ideas as possible, put your notes here, and select one person from your group to report your findings. You have 10 minutes.

- **Target Markets - identify 3 for each region your group represents**

- **Pricing your services                      Low - Moderate - High**

- **Which media will you use for advertising?**

- **Tracking your Advertising - Identify 3 methods of tracking**

# LOCATION OF YOUR BUSINESS

Describe the planned geographical location of the business and discuss any advantages or disadvantages of the site location in terms of wage rates, labor availability, closeness to customers or suppliers, access to transportation, state and local taxes and laws and utilities. Describe your approach to overcoming any problems associated with the location.

*Planned geographical location.*

*Discuss advantages or disadvantages of the site location.*

*Describe your approach to overcoming any problems.*

# COMPETITIVE ANALYSIS

Each business has (or should have) a uniqueness which separates it from its competitors. Make a realistic assessment of the strengths and weaknesses of competitive products and services and name the companies that supply them. Compare competing products or services on the basis of image, location, price, advertising and other pertinent features. Discuss your three or four key competitors and explain why you think that you can capture a share of their business. Discuss what makes you think it will be easy or difficult to compete with them.

*Identify three or four of your key competitors.*

*Discuss their strengths and weaknesses.*

*Compare your product or service on key areas. For each area of comparison, rank yourself and your selected competitors on a scale of 1 (high) to 5 (low). No ties.*

Area of Comparison	Competitors				
	You	A	B	C	D
Image					
Location					
Price					
Advertising					
Service					
Uniqueness					
Other					

*Why do you think you can compete with your competitors and capture a share of the market?*

# MANAGEMENT

Your management team is the key to turning a good idea into a successful business. The evaluator looks for a committed management team with a proper balance of technical, managerial and business skills and experience in doing what is proposed. Be sure to include complete resumes for each key management member in the Supporting Documents section.

***List owners and key management personnel and their primary duties. If any key individuals will not be on board at the start of the venture, indicate when they will join the team.***

***Discuss any experience where the above persons have worked together that indicates how their skills complement each other and result in an effective management team.***

***List the advisors and consultants that you have selected for your venture. Capable, reputable, and well known supporting organizations can not only provide significant direct, professional assistance, but can also add to the credibility of your venture.***

Accountant \_\_\_\_\_

Attorney \_\_\_\_\_

Banker \_\_\_\_\_

Insurance Broker \_\_\_\_\_

Advertising \_\_\_\_\_

Others \_\_\_\_\_

# PERSONNEL

One of the key elements in any business is PEOPLE. Explain how you plan to recruit, develop, and maintain your workers. List the number of employees you will have, as well as their job titles and required skills.

*Identify essential employees, their job titles and required skills.*

*Identify the source of and your plan to recruit essential employees.*

*Discuss any training or retraining that you plan for your employees. Also, discuss any first aid certification or recertification, etc. that is necessary.*





## **Part II    Financial Data**

# CAPITAL EQUIPMENT LIST

This section will help you plan purchases of capital equipment needed to start your business. Capital equipment is defined as assets which have useful lives of more than one year. Examples include machines, equipment, vehicles, livestock, tack, gear, and computers. Describe the equipment, the quantity, whether the equipment is new or used (N/U), the expected useful life, and the cost. This includes equipment purchased from an existing business.

<b>EQUIPMENT</b>	<b>QUANTITY</b>	<b>N / U</b>	<b>LIFE</b>	<b>COST</b>

# START-UP EXPENSES

Start-up expenses are the various expenses it takes to open your doors for business. Some of these will be one-time expenditures, while others will occur every year.

EXPENSE	COST
Total cost of capital equipment (See Capital Equipment List)	_____
Beginning inventory of operating supplies	_____
Legal fees	_____
Account fees	_____
Other professional fees	_____
Licenses and permits	_____
Remodeling and repair work	_____
Deposits (public utilities, etc.)	_____
Advertising	_____
Insurance	_____
Bonds	_____
Advance permit fees	_____
Other Expenses:	_____

TOTAL START-UP EXPENSES

\$

=====



# **MASTERING THE NUMBERS I**

## FEARLESS JEEP TOURS, INC.

### Income Statement

For the Twelve Months Ended Dec. 31, 2001

	CURRENT		YEAR-T-O-DATE		%%%
<b>REVENUE</b>					
Tour Fees	\$3,514.53	39.5%	\$142,516.55		55.5%
Rental Fees	\$2,460.00	27.6%	\$38,740.00		15.1%
Guide-only Fees	\$1,700.00	19.1%	\$25,800.00		10.0%
<u>Food &amp; Beverage</u>	<u>\$1,225.66</u>	<u>13.8%</u>	<u>\$49,881.48</u>		<u>19.4%</u>
<b>Total Revenues</b>	<b>\$8,900.19</b>	<b>100.0%</b>	<b>\$256,938.03</b>		<b>100.0%</b>
<b>COST OF REVENUES</b>					
Tour Fees	\$0.00	0.0%	\$0.00		0.0%
Rental Fees	\$0.00	0.0%	\$8,354.89		3.3%
Guide-only Fees	\$680.00	7.6%	\$10,320.00		4.0%
<u>Food &amp; Beverage</u>	<u>\$306.00</u>	<u>3.4%</u>	<u>\$25,603.00</u>		<u>10.0%</u>
<b>Total Cost of Goods</b>	<b>\$986.00</b>	<b>11.1%</b>	<b>\$44,277.89</b>		<b>17.2%</b>
<b>Gross Profit Margin</b>	<b>\$7,914.19</b>	<b>88.9%</b>	<b>\$212,660.14</b>		<b>82.8%</b>
<b>OPERATING EXPENSES</b>					
Advertising	\$1,680.22	18.9%	\$18,700.84		7.3%
Accounting	\$150.00	1.7%	\$1,805.00		0.7%
Bank/Credit Card Charges	\$177.99	2.0%	\$5,138.34		2.0%
Fuel Accounts	\$411.35	4.6%	\$12,583.79		4.9%
Insurance	\$380.74	4.3%	\$4,560.39		1.8%
Maintenance/Repair	\$358.64	4.0%	\$5,467.10		2.1%
Office Supplies	\$26.58	0.3%	\$835.43		0.3%
Payroll	\$3,872.69	43.5%	\$76,852.44		29.9%
Payroll Taxes	\$580.93	6.5%	\$11,527.66		4.5%
Professional Fees	\$100.00	1.1%	\$1,580.00		0.6%
Rent	\$1,800.00	20.2%	\$21,600.00		8.4%
Shipping/Postage	\$111.88	1.3%	\$1,588.88		0.6%
Travel	\$132.71	1.5%	\$2,265.05		0.9%
Telephone	\$168.33	1.9%	\$2,368.76		0.9%
Utilities	\$214.41	2.4%	\$1,953.18		0.8%
Miscellaneous	\$0.00	0.0%	\$372.62		0.1%
<b>Total Operating Expenses</b>	<b>\$10,166.47</b>	<b>114.2%</b>	<b>\$169,199.48</b>		<b>65.9%</b>
<b>Income from Operations</b>	<b>\$2,252.28</b>	<b>-25.3%</b>	<b>\$43,460.66</b>		<b>16.9%</b>
<b>OTHER INCOME</b>					
Other Income	\$0.00	0.0%	\$98.00		0.0%
<u>Interest Income</u>	<u>\$22.00</u>	<u>0.2%</u>	<u>\$254.00</u>		<u>0.1%</u>
<b>Total Other Income</b>	<b>\$22.00</b>	<b>0.2%</b>	<b>\$352.00</b>		<b>0.1%</b>
<b>OTHER EXPENSES</b>					
Depreciation	\$500.00	5.6%	\$6,000.00		2.3%
<u>Amortization</u>	<u>\$700.00</u>	<u>7.9%</u>	<u>\$8,400.00</u>		<u>3.3%</u>
<b>Total Other Expenses</b>	<b>\$1,200.00</b>	<b>13.5%</b>	<b>\$14,400.00</b>		<b>5.6%</b>
<b>NET INCOME/LOSS</b>	<b>\$3,474.28</b>	<b>-39.0%</b>	<b>\$28,708.66</b>		<b>11.2%</b>

# FEARLESS JEEP TOURS, INC.

## Balance Sheet

As of Dec. 31, 2001

### ASSETS

#### CURRENT

Checking	\$11,346.78
Accounts Receivable	\$3,985.32
Inventory F&B - M	\$957.58

**Total Current Assets** **\$16,289.68**

#### FIXED

Machinery & Equipment	\$45,573.75
Furniture & Fixtures	\$19,190.94
Vehicles	\$184,951.28
Less Accum. Depreciation	<u>(\$53,550.00)</u>

**Total Fixed Assets** **\$196,165.97**

**TOTAL ASSETS**

**\$212,455.65**

### LIABILITIES

#### CURRENT

Accounts Payable	\$13,589.67
Payroll Taxes	\$1,940.21
CPLTD	\$2,983.65

**Total Current Liabilities** **\$18,513.53**

#### LONG-TERM (FIXED)

Machinery & Equipment Loan	\$18,690.00
Vehicle Loan	\$56,879.35
Working Capital LOC	\$13,400.00
Credit Cards	\$21,336.57

**Total Long-Term Liabilities** **\$110,305.92**

**Total Liabilities** **\$128,819.45**

### EQUITY

Common Stock	\$25,000.00
Paid-In-Capital Surplus	\$18,345.00
Retained Earnings	\$11,582.54
Net Income/Loss YTD	\$28,708.66

**Total Equity** **\$83,636.20**

**TOTAL LIABILITIES + EQUITY**

**\$212,455.65**

**ASSETS = LIABILITIES + EQUITY**

# START-UP BALANCE SHEET

Balance sheets are designed to show how the assets, liabilities and net worth of a company are distributed at a given point in time. The format is standardized to facilitate analysis and comparison; do not deviate from it.

Balance sheets for all companies, great and small, contain the same categories arranged in the same order. The difference is one of detail. Your balance sheet should be designed with your business information needs in mind. These will differ according to the kind of business you are in, the size of your business, and the amount of information your bookkeeping and accounting systems make available.

A sample balance sheet follows.

Name of the Business  
Date (month, day, year)  
Balance Sheet

## Assets

Current Assets \$ \_\_\_\_\_

Fixed Assets \$ \_\_\_\_\_

Less Accumulated Depreciation \$ \_\_\_\_\_

Net Fixed Assets \$ \_\_\_\_\_

Other Assets \$ \_\_\_\_\_

**Total Assets:** \$ \_\_\_\_\_

## Liabilities

Current Liabilities \$ \_\_\_\_\_

Long-Term Liabilities \$ \_\_\_\_\_

**Total Liabilities:** \$ \_\_\_\_\_

**Net Worth or Owner's Equity** (total assets minus total liabilities) \$ \_\_\_\_\_



# **MASTERING THE NUMBERS II**



# INCOME STATEMENT PROJECTIONS

Income Statements, also called Profit and Loss Statements, complement balance sheets. The balance sheet gives a static picture of the company at a given point in time. The income statement provides a moving picture of the company during a particular period of time.

Income projections are forecasting and budgeting tools estimating income and anticipating expenses in the near to middle range future. For most businesses (and for most bankers) income projections covering one to three years are more than adequate. In some cases, a longer-range projection may be called for, but in general, the longer the projection; the less accurate it will be as a guide.

While no set of projections will be 100% accurate, experience and practice tend to make the projections more precise. Even if your income projections are not accurate, they will provide you with a rough set of benchmarks to test your progress toward short-term goals. They become the basis of your budgets.

The reasoning behind income projection is: Since most expenses are predictable and income doesn't fluctuate too drastically, the future will be much like the past. For example, if your gross margin has historically been 30% of net sales, it will (barring strong evidence to the contrary) continue to be 30% of net sales. If you are in a startup situation, look for financial statement information and income ratios for businesses similar to yours. The Robert Morris Associates' "Annual Statement Studies" and trade association publications are two possible sources.

Try to **understate** your expected sales and **overstate** expenses. It is better to exceed a conservative budget than to fall below optimistic projections. However, being too far under can also create problems, such as not having enough capital to finance growth. Basing income projections on hopes or unjustified fears is hazardous to your business' health. Be realistic; your budget is an extension of your forecasts.

A suggested format for an income projection follows on the next page. The content as shown in the sample may have to be modified to fit your particular operation, but do not change the basic form.



2002 Projected Income Statement for FEARLESS JEEP TOURS, Inc.

Months	JAN	FEB	MAR	APR	MAY	JUN	JULY	AUG	SEPT	OCT	NOV	DEC	TOTALS	
<b>REVENUES</b>														
R	Tour Fees	\$4000	\$5000	\$8000	\$10000	\$12000	\$15000	\$18000	\$17000	\$14000	\$12000	\$8000	\$4000	\$127000
E	Rental Fees	\$1000	\$1000	\$2000	\$4000	\$6000	\$8000	\$9000	\$8000	\$6000	\$5000	\$3000	\$1000	\$54000
V	Guide-only Fees	\$1500	\$1500	\$1500	\$1500	\$1500	\$1500	\$1500	\$1500	\$1500	\$1500	\$1500	\$1500	\$18000
	Food & Beverage	\$1000	\$1500	\$2500	\$3500	\$5000	\$6000	\$7000	\$6000	\$5000	\$4000	\$3000	\$3000	\$47500
	<b>TOT. REVENUES</b>	<b>\$7500</b>	<b>\$9000</b>	<b>\$14000</b>	<b>\$19000</b>	<b>\$24500</b>	<b>\$30500</b>	<b>\$35500</b>	<b>\$32500</b>	<b>\$26500</b>	<b>\$22500</b>	<b>\$15500</b>	<b>\$9500</b>	<b>\$246,500</b>
<b>COST OF SALES</b>														
V	Tour Fees	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
A	Rental Fees	\$300	\$300	\$450	\$900	\$1200	\$1350	\$1350	\$1200	\$1050	\$900	\$750	\$600	\$10350
R	Guide-only Fees	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$9000
T	Food & Beverage	\$500	\$750	\$1250	\$1750	\$2500	\$3000	\$3500	\$3000	\$2500	\$2000	\$1500	\$1500	\$23750
	<b>TOT. VAR. COSTS</b>	<b>\$1550</b>	<b>\$1800</b>	<b>\$2450</b>	<b>\$3400</b>	<b>\$4450</b>	<b>\$5100</b>	<b>\$5600</b>	<b>\$4950</b>	<b>\$4300</b>	<b>\$3650</b>	<b>\$3000</b>	<b>\$2850</b>	<b>\$43100</b>
	<b>GROSS PROFIT</b>	<b>\$5950</b>	<b>\$7200</b>	<b>\$11550</b>	<b>\$15600</b>	<b>\$20050</b>	<b>\$25400</b>	<b>\$29900</b>	<b>\$27550</b>	<b>\$22200</b>	<b>\$18850</b>	<b>\$12500</b>	<b>\$6650</b>	<b>\$203,400</b>
<b>OPERATING EXPENSES</b>														
	Advertising	\$500	\$500	\$1500	\$1500	\$1500	\$1000	\$1000	\$1000	\$500	\$500	\$500	\$200	\$10200
	Accounting	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$1200
	Bank/Credit Card Charges	\$150	\$180	\$280	\$380	\$490	\$610	\$710	\$650	\$530	\$450	\$310	\$190	\$4930
	Fuel Accounts	\$400	\$400	\$800	\$1200	\$1500	\$2500	\$2000	\$1200	\$800	\$600	\$400	\$400	\$13800
	Insurance	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$4200
	Maintenance/Repair	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$1800
	Office Supplies	\$35	\$35	\$35	\$35	\$35	\$35	\$35	\$35	\$35	\$35	\$35	\$35	\$420
	Payroll	\$2500	\$2500	\$3000	\$4000	\$6000	\$6000	\$6000	\$6000	\$5000	\$5000	\$4000	\$3000	\$53000
	Payroll Taxes	\$300	\$300	\$360	\$480	\$720	\$720	\$720	\$720	\$600	\$600	\$480	\$360	\$6360
	Professional Fees	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$1200
	Rent	\$1800	\$1800	\$1800	\$1800	\$1800	\$1800	\$1800	\$1800	\$1800	\$1800	\$1800	\$1800	\$21600
	Shipping/Postage	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$900
	Travel	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$1800
	Telephone	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$1800
	Utilities	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$1500
	Miscellaneous	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$600
	<b>TOTAL OPER. EXP.</b>	<b>\$6935</b>	<b>\$6965</b>	<b>\$9025</b>	<b>\$10645</b>	<b>\$13295</b>	<b>\$13915</b>	<b>\$13515</b>	<b>\$13455</b>	<b>\$10915</b>	<b>\$10435</b>	<b>\$8975</b>	<b>\$7235</b>	<b>\$125,310</b>
<b>OTHER EXPENSES</b>														
	Interest Expense - Loan	\$700	\$700	\$700	\$700	\$700	\$700	\$700	\$700	\$700	\$700	\$700	\$700	\$8400
	Depreciation	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$6000
	<b>TOT. OTHER EXPENSES</b>	<b>\$1200</b>	<b>\$1200</b>	<b>\$1200</b>	<b>\$1200</b>	<b>\$1200</b>	<b>\$1200</b>	<b>\$1200</b>	<b>\$1200</b>	<b>\$1200</b>	<b>\$1200</b>	<b>\$1200</b>	<b>\$1200</b>	<b>\$14400</b>
	<b>TOT. EXPENSE</b>	<b>\$8135</b>	<b>\$8165</b>	<b>\$10225</b>	<b>\$11845</b>	<b>\$14495</b>	<b>\$15115</b>	<b>\$14715</b>	<b>\$14655</b>	<b>\$12115</b>	<b>\$11635</b>	<b>\$10175</b>	<b>\$8435</b>	<b>\$139,710</b>
	<b>NET INCOME/LOSS</b>	<b>\$2,185</b>	<b>\$965</b>	<b>\$1,325</b>	<b>3,755</b>	<b>5,555</b>	<b>10,285</b>	<b>15,185</b>	<b>12,895</b>	<b>10,085</b>	<b>7,215</b>	<b>2,325</b>	<b>1,785</b>	<b>\$63,690</b>

ANNUAL NET

2002 Projected Income Statement for FEARLESS JEEP TOURS, Inc.

Months	JAN	FEB	MAR	APR	MAY	JUN	JULY	AUG	SEPT	OCT	NOV	DEC	TOTALS	%	
<b>REVENUES</b>															
R	Tour Fees	\$2000	\$3000	\$5000	\$8000	\$10000	\$13000	\$15000	\$15000	\$12000	\$10000	\$6000	\$3000	\$102000	51.
E	Rental Fees	\$1000	\$1000	\$2000	\$4000	\$6000	\$8000	\$9000	\$8000	\$6000	\$5000	\$3000	\$1000	\$54000	27.
V	Guide-only Fees	\$1500	\$1500	\$1500	\$1500	\$1500	\$1500	\$1500	\$1500	\$1500	\$1500	\$1500	\$1500	\$18000	9.
	Food & Beverage	\$500	\$1000	\$1500	\$1500	\$2500	\$3500	\$4000	\$4000	\$3000	\$2000	\$1500	\$1000	\$26000	13.
	<b>TOT. REVENUES</b>	<b>\$5000</b>	<b>\$6500</b>	<b>\$10000</b>	<b>\$15000</b>	<b>\$20000</b>	<b>\$26000</b>	<b>\$29500</b>	<b>\$28500</b>	<b>\$22500</b>	<b>\$18500</b>	<b>\$12000</b>	<b>\$6500</b>	<b>\$200,000</b>	<b>100.</b>
<b>COST OF SALES</b>															
V	Tour Fees	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.
A	Rental Fees	\$300	\$300	\$450	\$900	\$1200	\$1350	\$1350	\$1200	\$1050	\$900	\$750	\$600	\$10350	5.
R	Guide-only Fees	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$750	\$9000	4.
T	Food & Beverage	\$250	\$500	\$750	\$750	\$1250	\$1750	\$2000	\$2000	\$1500	\$1000	\$750	\$500	\$13000	6.
	<b>TOT. VAR. COSTS</b>	<b>\$1300</b>	<b>\$1550</b>	<b>\$1950</b>	<b>\$2400</b>	<b>\$3200</b>	<b>\$3850</b>	<b>\$4100</b>	<b>\$3950</b>	<b>\$3300</b>	<b>\$2650</b>	<b>\$2250</b>	<b>\$1850</b>	<b>\$32350</b>	<b>16.</b>
	<b>GROSS PROFIT</b>	<b>\$3700</b>	<b>\$4950</b>	<b>\$8050</b>	<b>\$12600</b>	<b>\$16800</b>	<b>\$22150</b>	<b>\$25400</b>	<b>\$24550</b>	<b>\$19200</b>	<b>\$15850</b>	<b>\$9750</b>	<b>\$4650</b>	<b>\$167,650</b>	<b>83.</b>
<b>OPERATING EXPENSES</b>															
	Advertising	\$500	\$500	\$1500	\$1500	\$1500	\$1000	\$1000	\$1000	\$500	\$500	\$500	\$200	\$10200	5.1%
	Accounting	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$1200	0.6%
	Bank/Credit Card Charges	\$100	\$130	\$200	\$300	\$400	\$520	\$590	\$570	\$450	\$370	\$240	\$130	\$4000	2.0%
	Fuel Accounts	\$400	\$400	\$800	\$1200	\$1500	\$2500	\$2000	\$2000	\$1200	\$800	\$600	\$400	\$13800	6.9%
	Insurance	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$4200	2.1%
	Maintenance/Repair	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$1800	0.9%
	Office Supplies	\$35	\$35	\$35	\$35	\$35	\$35	\$35	\$35	\$35	\$35	\$35	\$35	\$420	0.2%
	Payroll	\$2500	\$2500	\$3000	\$4000	\$6000	\$6000	\$6000	\$6000	\$5000	\$5000	\$4000	\$3000	\$53000	26.5%
	Payroll Taxes	\$300	\$300	\$360	\$480	\$720	\$720	\$720	\$720	\$600	\$600	\$480	\$360	\$6360	3.2%
	Professional Fees	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$1200	0.6%
	Rent	\$1800	\$1800	\$1800	\$1800	\$1800	\$1800	\$1800	\$1800	\$1800	\$1800	\$1800	\$1800	\$21600	10.8%
	Shipping/Postage	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$900	0.5%
	Travel	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$1800	0.9%
	Telephone	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$1800	0.9%
	Utilities	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$1500	0.8%
	Miscellaneous	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$600	0.3%
	<b>TOTAL OPER. EXP.</b>	<b>\$6885</b>	<b>\$6915</b>	<b>\$8945</b>	<b>\$10565</b>	<b>\$13205</b>	<b>\$13825</b>	<b>\$13395</b>	<b>\$13375</b>	<b>\$10835</b>	<b>\$10355</b>	<b>\$8905</b>	<b>\$7175</b>	<b>\$124,380</b>	<b>62.2%</b>
<b>OTHER EXPENSES</b>															
	Interest Expense - Loan	\$700	\$700	\$700	\$700	\$700	\$700	\$700	\$700	\$700	\$700	\$700	\$700	\$8400	4.2%
	Depreciation	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$6000	3.0%
	<b>TOT. OTHER EXPENSES</b>	<b>\$1200</b>	<b>\$1200</b>	<b>\$1200</b>	<b>\$1200</b>	<b>\$1200</b>	<b>\$1200</b>	<b>\$1200</b>	<b>\$1200</b>	<b>\$1200</b>	<b>\$1200</b>	<b>\$1200</b>	<b>\$1200</b>	<b>\$14400</b>	<b>7.2%</b>
	<b>TOT. EXPENSE</b>	<b>\$8085</b>	<b>\$8115</b>	<b>\$10145</b>	<b>\$11765</b>	<b>\$14405</b>	<b>\$15025</b>	<b>\$14595</b>	<b>\$14575</b>	<b>\$12035</b>	<b>\$11555</b>	<b>\$10105</b>	<b>\$8375</b>	<b>\$138,780</b>	<b>69.4%</b>
	<b>NET INCOME/LOSS</b>	<b>\$4,385</b>	<b>\$3,165</b>	<b>\$2,095</b>	<b>835</b>	<b>2,395</b>	<b>7,125</b>	<b>10,805</b>	<b>9,975</b>	<b>7,165</b>	<b>4,295</b>	<b>355</b>	<b>3,725</b>	<b>\$28,870</b>	<b>14.4%</b>
														<b>ANNUAL NET</b>	

# MONTHLY CASH FLOW PROJECTIONS

The cash flow projection is the most important financial planning tool available to you. If you were limited to one financial statement, the Cash Flow Projection would be the one to choose.

For a new or growing business, the cash flow projection can make the difference between success and failure. For an ongoing business, it can make the difference between growth and stagnation.

Your Cash Flow Projection will:

- ◆ Show you how much cash your business will need.
- ◆ When it will be needed.
- ◆ Whether you should look for equity, debt, operating profits, or sale of fixed assets.
- ◆ Where the cash will come from

The cash flow projection attempts to budget the cash needs of a business and shows how cash will flow in and out of the business over a stated period of time. Cash flows into the business from sales, collection of receivables, capital injections, etc., and flows out through cash payments for expenses of all kinds.

A cash flow deals only with actual cash transactions. Depreciation, a non-cash expense, does not appear on a cash flow. Loan repayments (including interest), on the other hand, do, since they represent cash disbursement.

After it has been developed, use your cash flow projections as a budget. If the cash outlays for a given item increase over the amount allotted for a given month, you should find out why and take correction action as soon as possible. If the figure is lower, you should also find out why. If the cash outlay is lower than expected, it is not necessarily a good sign. Maybe a bill wasn't paid. By reviewing the movement of your cash position you can better control your business.

The level of detail you wish to provide is another judgement call. You may want to provide much more detail than is shown in these examples. You might benefit from breaking down your cash flow into a series of cash flows, each representing one profit center or other business unit. This may be particularly helpful if you have more than one source of revenue. The accumulated information gained by several projections can be very valuable.

**MONTHLY CASH FLOW PROJECTIONS**  
2002  
**FEARLESS JEEP TOURS, INC.**

COMPANY

YEAR 2002	Pre Start-up Position	1	2	3	4	5	6	7	8	9	10
1. CASH ON HAND (Beginning of Month)	<b>\$11,000</b>	<b>\$11,000</b>	<b>\$10,345</b>	<b>\$9,690</b>	<b>\$7,985</b>	<b>\$8,000</b>	<b>\$8,675</b>	<b>\$13,680</b>	<b>\$21,145</b>	<b>\$28,280</b>	<b>\$34,965</b>
2. CASH RECEIPTS											
(a) Cash Sales	\$0	\$11,000	\$11,000	\$13,000	\$18,500	\$23,500	\$29,500	\$31,500	\$30,500	\$26,500	\$22,500
(b) Collections from Credit Accts	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
(c) Loan or Other Cash injection (Specify)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3. TOTAL CASH RECEIPTS (2a+2b+2c=3)	\$0	<b>\$11,000</b>	<b>\$11,000</b>	<b>\$13,000</b>	<b>\$18,500</b>	<b>\$23,500</b>	<b>\$29,500</b>	<b>\$31,500</b>	<b>\$30,500</b>	<b>\$26,500</b>	<b>\$22,500</b>
4. TOTAL CASH AVAILABLE (Before cash out) (1+3)	\$11,000	<b>\$22,000</b>	<b>\$21,345</b>	<b>\$22,690</b>	<b>\$26,485</b>	<b>\$31,500</b>	<b>\$38,175</b>	<b>\$45,180</b>	<b>\$51,645</b>	<b>\$54,780</b>	<b>\$57,465</b>
5. CASH PAID OUT											
(a) Purchases (Merchandise)	\$0	\$900	\$900	\$1,450	\$2,100	\$2,800	\$3,350	\$3,350	\$3,200	\$2,650	\$2,100
(b) Gross Wages (Excl. withdrawals)	\$0	\$2,500	\$2,500	\$3,000	\$4,000	\$6,000	\$6,000	\$6,000	\$6,000	\$5,000	\$5,000
(c) Payroll Expenses	\$0	\$300	\$300	\$360	\$480	\$720	\$720	\$720	\$720	\$600	\$600
(d) Outside Services	\$0	\$1,000	\$1,000	\$1,500	\$3,000	\$4,000	\$4,500	\$4,500	\$4,000	\$3,500	\$3,000
(e) Supplies (Office/operating)	\$0	\$110	\$110	\$110	\$110	\$110	\$110	\$110	\$110	\$110	\$110
(f) Repairs and Maintenance	\$0	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150
(g) Advertising	\$0	\$500	\$500	\$1,500	\$1,500	\$1,500	\$1,000	\$1,000	\$1,000	\$500	\$500
(h) Car, Delivery, and Travel	\$0	\$550	\$550	\$950	\$1,350	\$1,650	\$2,650	\$2,150	\$2,150	\$1,350	\$950
(i) Accounting and Legal	\$0	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200
(j) Rent	\$0	\$1,800	\$1,800	\$1,800	\$1,800	\$1,800	\$1,800	\$1,800	\$1,800	\$1,800	\$1,800
(k) Telephone	\$0	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150
(l) Utilities	\$0	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125
(m) Insurance	\$0	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350
(n) Taxes (Real Estate, etc.)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
(o) Interest	\$0	\$700	\$700	\$700	\$700	\$700	\$700	\$700	\$700	\$700	\$700
(p) Other Expenses (Specify each)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Bank/Credit Card Charges	\$0	\$220	\$220	\$260	\$370	\$470	\$590	\$630	\$610	\$530	\$450
(q) Miscellaneous (Unspecified)	\$0	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50
(r) Subtotal	\$0	<b>\$9,605</b>	<b>\$9,605</b>	<b>\$12,655</b>	<b>\$16,435</b>	<b>\$20,775</b>	<b>\$22,445</b>	<b>\$21,985</b>	<b>\$21,315</b>	<b>\$17,765</b>	<b>\$16,235</b>
(s) Loan Principal Payment	\$0	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50
(t) Capital Purchases (Specify)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
(u) Other Start-up Costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
(v) Reserve/Escrow (Cap. Equip.)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
(w) Owner's Withdrawal	\$0	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
6. TOTAL CASH PAID OUT (Total 5a thru 5w)	\$0	<b>\$11,655</b>	<b>\$11,655</b>	<b>\$14,705</b>	<b>\$18,485</b>	<b>\$22,825</b>	<b>\$24,495</b>	<b>\$24,035</b>	<b>\$23,365</b>	<b>\$19,815</b>	<b>\$18,285</b>
7. CASH POSITION (End of month) (4 minus 6)	<b>\$11,000</b>	<b>\$10,345</b>	<b>\$9,690</b>	<b>\$7,985</b>	<b>\$8,000</b>	<b>\$8,675</b>	<b>\$13,680</b>	<b>\$21,145</b>	<b>\$28,280</b>	<b>\$34,965</b>	<b>\$39,180</b>

ASSUMPTIONS:

**MONTHLY CASH FLOW PROJECTIONS**  
2002  
**FEARLESS JEEP TOURS, INC.**

COMPANY

YEAR 2002	Pre Start-up Position	1	2	3	4	5	6	7	8	9	10
1. CASH ON HAND											
(Beginning of Month)	<b>\$3,000</b>	<b>\$3,000</b>	<b>\$2,345</b>	<b>\$1,690</b>	<b>(\$15)</b>	<b>\$0</b>	<b>\$675</b>	<b>\$5,680</b>	<b>\$13,145</b>	<b>\$20,280</b>	<b>\$26,965</b>
2. CASH RECEIPTS											
(a) Cash Sales	\$0	\$11,000	\$11,000	\$13,000	\$18,500	\$23,500	\$29,500	\$31,500	\$30,500	\$26,500	\$22,500
(b) Collections from Credit Accts	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
(c) Loan or Other Cash injection (Specify)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3. TOTAL CASH RECEIPTS											
(2a+2b+2c=3)	\$0	<b>\$11,000</b>	<b>\$11,000</b>	<b>\$13,000</b>	<b>\$18,500</b>	<b>\$23,500</b>	<b>\$29,500</b>	<b>\$31,500</b>	<b>\$30,500</b>	<b>\$26,500</b>	<b>\$22,500</b>
4. TOTAL CASH AVAILABLE											
(Before cash out) (1+3)	\$3,000	<b>\$14,000</b>	<b>\$13,345</b>	<b>\$14,690</b>	<b>\$18,485</b>	<b>\$23,500</b>	<b>\$30,175</b>	<b>\$37,180</b>	<b>\$43,645</b>	<b>\$46,780</b>	<b>\$49,465</b>
5. CASH PAID OUT											
(a) Purchases (Merchandise)	\$0	\$900	\$900	\$1,450	\$2,100	\$2,800	\$3,350	\$3,350	\$3,200	\$2,650	\$2,100
(b) Gross Wages (Excl. withdrawals)	\$0	\$2,500	\$2,500	\$3,000	\$4,000	\$6,000	\$6,000	\$6,000	\$6,000	\$5,000	\$5,000
(c) Payroll Expenses	\$0	\$300	\$300	\$360	\$480	\$720	\$720	\$720	\$720	\$600	\$600
(d) Outside Services	\$0	\$1,000	\$1,000	\$1,500	\$3,000	\$4,000	\$4,500	\$4,500	\$4,000	\$3,500	\$3,000
(e) Supplies (Office/operating)	\$0	\$110	\$110	\$110	\$110	\$110	\$110	\$110	\$110	\$110	\$110
(f) Repairs and Maintenance	\$0	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150
(g) Advertising	\$0	\$500	\$500	\$1,500	\$1,500	\$1,500	\$1,000	\$1,000	\$1,000	\$500	\$500
(h) Car, Delivery, and Travel	\$0	\$550	\$550	\$950	\$1,350	\$1,650	\$2,650	\$2,150	\$2,150	\$1,350	\$950
(i) Accounting and Legal	\$0	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200
(j) Rent	\$0	\$1,800	\$1,800	\$1,800	\$1,800	\$1,800	\$1,800	\$1,800	\$1,800	\$1,800	\$1,800
(k) Telephone	\$0	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150
(l) Utilities	\$0	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125
(m) Insurance	\$0	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350
(n) Taxes (Real Estate, etc.)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
(o) Interest	\$0	\$700	\$700	\$700	\$700	\$700	\$700	\$700	\$700	\$700	\$700
(p) Other Expenses (Specify each)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Bank/Credit Card Charges	\$0	\$220	\$220	\$260	\$370	\$470	\$590	\$630	\$610	\$530	\$450
(q) Miscellaneous (Unspecified)	\$0	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50
(r) Subtotal	\$0	<b>\$9,605</b>	<b>\$9,605</b>	<b>\$12,655</b>	<b>\$16,435</b>	<b>\$20,775</b>	<b>\$22,445</b>	<b>\$21,985</b>	<b>\$21,315</b>	<b>\$17,765</b>	<b>\$16,235</b>
(s) Loan Principal Payment	\$0	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50
(t) Capital Purchases (Specify)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
(u) Other Start-up Costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
(v) Reserve/Escrow (Cap. Equip.)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
(w) Owner's Withdrawal	\$0	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
6. TOTAL CASH PAID OUT											
(Total 5a thru 5w)	\$0	<b>\$11,655</b>	<b>\$11,655</b>	<b>\$14,705</b>	<b>\$18,485</b>	<b>\$22,825</b>	<b>\$24,495</b>	<b>\$24,035</b>	<b>\$23,365</b>	<b>\$19,815</b>	<b>\$18,285</b>
7. CASH POSITION											
(End of month) (4 minus 6)	<b>\$3,000</b>	<b>\$2,345</b>	<b>\$1,690</b>	<b>\$15</b>	<b>\$0</b>	<b>\$675</b>	<b>\$5,680</b>	<b>\$13,145</b>	<b>\$20,280</b>	<b>\$26,965</b>	<b>\$31,180</b>

ASSUMPTIONS:



# CASE STUDIES from the USDA Forest Service

## Case Study #1

The circumstances and discoveries involved in this case study became one of the catalysts for requiring more detailed financial information from permit applicants.

A Concession Permit process was underway, when one of the respondents reported their assets as follows:

“A 1970 Ford 2 Ton Pickup,  
\$1,000 in cash  
2 Teenage Children,  
1 Small Baby,  
and A plastic bag full of diapers.”

Although humorous, upon questioning the applicant, this response was offered seriously, with the intent to provide financial data. Forest Service Staff felt that a more complete solicitation for financial information would generate more accurate responses.

## Case Study #2

During a permit process that involved a transfer of a permit to a new owner, (a Forest Office) requested information under a new business plan format. The narrative portion suggested that the company possessed the technical capability to perform the permit; however, upon review of the income statement projections, it became obvious that the principals of the firm were weak in accounting and forecasting.

By checking each line item in the income statement projections, it was discovered that the company projected just .29 cents per meal for their customer.

### Case Study #3

In the transfer of ownership and permit of a large, operating lodge in a (Forest Service) district, the business plan format was used to reveal several, financially-weak applicants. Three submissions, in particular, are of note because each presented strong technical capabilities. In the past, any of these three could have achieved the permit if their candidacy was based solely on their narratives.

1. The first applicant, although strong in their program plan and service, showed not personal or business assets, whatsoever.
2. The second presented only \$400 in cash, and the common stock of the mother of the lead principal.
3. The third showed sufficient cash for opening capital; however, their projections were so far above the known activity level, the principals retracted their proposal when questioned about their financial expectation.
4. The fourth applicant passed both the technical and financial capability criteria.

---

---

Observations from both the CPA and the SBDC Director who performed the financial analyses, are interesting, as well:

“Some applicants present a business plan that suggests they are a much larger operations than they really are... conversely, some seem to understate their scope of resources, maybe to appear as a smaller operator. Unfortunately for both models, financial statement analysis usually reveals the truth.”

“Slick presentations should not carry more weight in the decision process... if a firm responds with the required components, they should be on a level playing field with other similar applicants.”



# FINANCIAL EVALUATION EXERCISE

While the USDA Forest Service is training to be proficient in financial analysis, SBDC's around the country may be asked to perform an evaluation on the financial reports and exercises that are received in permit applicants' business plans. CPA's, Financial Consultants, and other accounting professionals may also be used to outsource this important step to improve the assessments of applicants' financial proposals.

A copy of the one page, **USDA FS Financial Section Evaluation**, in use by the Rocky Mtn. Region, is provided for this exercise.

Your trainer will give you four financial statements from **Desert Snowmobilers, LLP**, who wish to secure a permit to guide visitors across your sand dunes. Evidently, the owners have been operating on private land up until now, but have been asked to find a new area.

In groups of five, you will review their Income Statement(P&L) from 2001, Balance Sheet as of 12/31/01, Income Statement Projections, and Cash Flow Projections and complete the Financial Section Evaluation sheet. Your group will have 10 minutes to arrive at your conclusions. Pick a spokesperson from your group to present your findings to your trainer.

---

## NOTES:

---

---

# USDA FS FINANCIAL SECTION EVALUATION

---

---

APPLICANT: \_\_\_\_\_

REVIEWED BY: \_\_\_\_\_ DATE: \_\_\_\_\_

INCOME STATEMENT PROJECTIONS       Complete       Incomplete  
ANNUALIZED

COMMENTS - \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

CASH FLOW PROJECTIONS       Complete       Incomplete  
1 YEAR BY MONTH

COMMENTS - \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

STARTING BALANCE SHEET       Complete       Incomplete

COMMENTS - \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

PERSONAL FINANCIAL STATEMENT       Complete       Incomplete

COMMENTS - \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

HISTORICAL FINANCIAL STATEMENTS       Present       Absent

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_



## **Part III Historical Financial Reports**

**APPLICANT IS REQUIRED TO SUBMIT ALL FOUR ITEMS REQUESTED BELOW.**

- Balance Sheet (past three years)
- Income Statement (past three years)
- Tax Returns (past three years)
- Current Credit Report from Major Credit Bureau



## **Part IV Supporting Documents**

**APPLICANT IS REQUIRED TO SUBMIT ALL FIVE ITEMS REQUESTED BELOW.**

- **Personal resumes of Business Owners, Officers and Partners**
- **Personal Financial Statements of Business Owners, Officers and Partners**
- **Bank or Investor Letters of Intent to Finance Project**
- **Copies of Business Leases Pertinent to this Business**
- **Copies of all Pertinent Existing Permits or Licenses Applicable to this Specific Business**



## **Part V Appendices**

- **GLOSSARY OF TERMS**
- **LEGAL ENTITY FORMATION**
- **BREAK-EVEN ANALYSIS**
- **11 GOOD REASONS TO KNOW YOUR MARKET!**
- **AVAILABLE BUSINESS RESOURCES**

# GLOSSARY OF TERMS

**Authorized officer** – Forest Service official with delegated authority to sign special use permits.

**BLM** – Bureau of Land Management. An agency within the Department of Interior. Some BLM offices are co-located with Forest Service offices.

**Campground concessionaire** – private business operating Government-owned campgrounds under special use permit

**Chief** – head of the Forest Service. Reports to the Secretary of Agriculture.

**District** – Ranger District office. A field office of a Forest Supervisor's office.

**District Ranger** – Line officer who manages a Ranger District office.

**Evaluation panel** – a team of individuals brought together to select a special use permit holder(s) from a prospectus solicitation.

**Forest Service** — An agency within the Department of Agriculture with a multiple-use mission.

**Forest Supervisor** – Line officer who manages a National Forest and Grasslands.

**NEPA** – National Environmental Protection Act. Requires the Forest Service to conduct environmental analysis of projects.

**NFs** – National Forest system land

**Outfitter** – Person conducting a business leading or guiding clients onto NFs land. Examples of outfitting businesses include: hunting, fishing, photography, biking, hiking, educational trips, nature hikes, bird watching, jeep tours, rafting, and many more.

**Prospectus** – a solicitation of interest designed to fairly select a special use permit holder. Typical examples include, campground concessionaire, outfitter, or lodge operator.

**Special use permit** – an authorization to occupy National Forest system lands. Recreation special use permits are primarily issued for the purpose of operating a recreation business on NFs lands.

**Special uses** – general term referring to special use permits. Examples of recreation permits include outfitting and guiding, campground concessions, lodges, resorts, marinas, restaurants, vendors and more.



**Regional Forester** – Line officer who manages a Regional Office, National Forests and Grasslands within that Region.

**RO** – Forest Service Regional office. Locations of Regional Offices are: Atlanta, Milwaukee, Albuquerque, Denver, Ogden, Portland, San Francisco, Juneau.

**SO** – Supervisor’s office. Office of the Forest Supervisor of a National Forest.

**Term or tenure** – common phrase for the length of time for which a permit is valid.

**WO** – Washington, DC office of the Forest Service

# LEGAL ORGANIZATION

There are several ways in which your business can be legally organized. To determine the best one for you and your organization, you need to seek competent legal and tax advice. To give you a general frame of reference, the more popular forms and their reasons for use are outlined below. Business Start-Up Kits and information on registration, licensing, and permit requirements can be obtained in Colorado by calling the Small Business Hotline: (303) 592-5920 in Denver, or 8-800-333-7798 outside the Denver Area.

## SOLE PROPRIETORSHIP

A sole proprietorship is a business owned by one person. This form of business is regulated by the state only in that some states (including Colorado) require you to register your trade name to do business as a sole proprietor. You do not have to register with the state if you are operating your business under your full legal name. (NOTE: You must be licensed where required, and pay all appropriate taxes. You should also plan to maintain a separate checking account for your business, even if using your own Social Security number.)

### Advantages:

- Simple to start
- Easy to dissolve
- Owner makes all management decisions
- Pay only personal income tax; business entity not taxed separately

### Disadvantages:

- Unlimited liability (owner legally liable for all debts, claims and judgments)
- Difficulty in raising additional funds
- No one to share the management burden
- Impermanence (company can't be sold or passed on; however, you may sell or pass on assets of the company)



## **PARTNERSHIP**

A partnership is an association of two or more persons to carry on as co-owners of a business for profit. Some states require that you register your name if it is a “dba” (doing business as). You must file state and federal “information returns”, but business income and losses flow through to the partners’ personal taxes. The business pays not separate income taxes. Partners may share the profit of the business (and the losses) on an equal basis, or may pro rate the proceeds as set forth in the Partnership Agreement. Whichever way you determine to share in the business, you need to have a written Partnership Agreement, which outlines the ownership, responsibilities, and eventualities of dissolution or

### **Advantages:**

- Simple to start
- Fairly easy to dissolve
- Additional sources of capital from partners
- Broader management base
- More opportunity for each partners to specialize
- Tax advantages – no separate income tax
- Limited outside regulation, compared to a corporation

### **Disadvantages:**

- Unlimited financial liability for all general partners (some partners’ personal debts can even be charged to the business)
- Difficulty if raising outside capital
- Divided authority
- Continuity problems (business dies when any partner leaves or dies, unless succession has previously been spelled out in a Partnership Agreement. Partnership terminates in the event of a personal bankruptcy on the part of any partner.)
- Difficult to find suitable (compatible) partners
- One partner may be held responsible for the actions of another partner, regardless of whether or not that partner has prior approval

## **LIMITED PARTNERSHIP**

In a Limited Partnership there are two kinds of partners: general partners, who carry full liability; and limited partners, who carry limited liability. Limited partners must make known, through filing with the Secretary or State that they indeed are limited partners, and they may not participate in the day-to-day management of the business. Again, as in the “S” corporation, profits from Limited Partnerships are taxed through each partners’ personal tax return. Limited partnerships are popular in industries where a great deal of “up-front” money is needed for projects which are expected to produce a high return, such as in real estate, energy, movie production, and sports teams.

## **CORPORATION**

There are two types of corporations generally recognized today: a regular “C” Corporation, organized under the laws of the state in which you do business; and, an “S” Corporation, so designed by the IRS and not necessarily recognized by your state.

A Corporation is a business entity separate and distinct from its owner(s) or shareholder(s). You must file incorporation papers with the state of your choice. The corporation must file annual reports with the Secretary of State, and may have to file separate quarterly income tax returns. The corporation exists forever, can be bought and sold, and is regulated by the state. In Colorado, further information about forming a corporation can be obtained from the Secretary of State’s Office, 1560 Broadway, Denver; (303) 894-2251, or from the Small Business Hotline.

### **“C” Corporation Advantages:**

- Limited liability (as long as you ACT like a corporation—which means having a separate checking account, separate phone number, paying interest on any borrowed money, keeping up a corporate record book, filing Annual reports, meeting with your Board of Directors at least annually, etc.)
- Easier to bring in additional capital
- Ownership is transferable
- Company has a continuous, perpetual existence
- Possible tax advantages (see adequate advice from a tax professional)
- Gives you more sense of permanence, thus more “weight”, in the business world

### **“C” Corporation Disadvantages:**

- More expensive to organize
- High regulated
- Extensive recordkeeping requirements
- Double taxation (corporation pays its own income taxes; if you pay yourself a salary or a dividend, you also pay personal income taxes)
- Shareholders / Board of Directors may encounter your management decisions

## **“S” CORPORATION**

### **“S” Corporation Advantages:**

- Filing a Subchapter S election with the Internal Revenue Service allows you to be taxed on your corporate profits through your personal tax return
- You still maintain the limited liability of a corporation
- If you have additional personal income against which to deduct company losses, or if your personal tax rate is lower than the corporation tax rate, this form may be advantageous to you. Again, please seek professional tax advice to make this determination

There are some restrictions on “S” Corporations, mainly in how you can sell your shares. You can have a maximum of 35 shareholders, all of whom must be U.S. citizens, and be individuals (not corporations).

You must request permission from the IRS to be an “S” Corporation, and generally, must maintain the calendar year as your fiscal year.

We suggest that, if you intend to be an “S” Corporation, you do so at the inception of your incorporation to meet IRS deadlines, and to be able to pass all losses on to the shareholders.

## **LIMITED LIABILITY COMPANY (LLC)**

While wearing the corporate form, essentially, an LLC is similar to a Limited Partnership, except the general partner also carries limited liability. Profits are taxed through individual owners’ personal tax returns. The advantage of this form over an “S” Corporation is that other corporations may be owners, and the Limited Liability Company may also hold 100% ownership in subsidiary companies. If you are a small corporation, but have interest from institutional or corporate investors, this form of organization may hold distinct advantages for you.

Be aware, however, that the LLC is a relatively new business form. As such, legal precedents have not yet been set to clearly outline all the legal and tax ramifications of this form of organization. If interested in becoming an LLC, you are strongly urged to seek competent, professional legal and tax advice.

# BREAK-EVEN ANALYSIS

You certainly don't want to sell your product or service below cost, expecting to make it up in volume! To avoid this difficulty, you need to know how much to sell each month in order to stay afloat, or to make a certain amount of profit.

Separating your costs into two categories, fixed costs and variable costs, will help with this. Some costs won't readily fall into one or the other category. These are termed "semi-variable". If you wish to get very specific, there are some more sophisticated techniques to help you sort these costs out. Generally, however, place the cost into the category it MOST conforms to.

## Variable Costs

These costs are one, which vary directly with the sale of your product or service; costs which you won't have if you don't make the sale. If I rent motor boats, I won't have gas costs if I don't rent any boats. The gas costs are variable costs. Generally, materials and labor to make the product or produce the service are considered variable costs. NOTE: just because a costs changes from month to month, does not make it a "variable cost." Ask yourself, "if I didn't have the sale, would I have the cost?"

## Fixed Costs

If you answered "yes" to the above question, you have a fixed costs. These are costs which you will have to pay regardless of whether you sell your product or not. In the example above, gas costs are variable, but the monthly interest payment for the motor boat is fixed. Telephone costs are usually considered fixed costs as well. Other examples of fixed costs might include: automobile expenses, administrative salaries, rent, bank charges, insurance, and utilities.

$$\text{Breaking Even} = \frac{\text{FIXED COSTS}}{\text{GPM \%}}$$

# 11 Good Reasons to Know Your Market!

**Clairol Coca Cola Colgate Coors Dairy Association Electrolux  
Gerber Parker Pen Pepsi Perdue Chicken T-Shirt**

**Clairol** - Clairol introduced the “**Mist Stick**”, a curling iron, into Germany only to find out that “**mist**” is slang for **manure**. Not too many people had use for the manure stick.

**Coca Cola** - The Coca Cola name in China was first read as “**Ke-kou-ke-la**”, meaning “**Bite the wax tadpole**” or “**female horse stuffed with wax**”, depending on the dialect. Coke then researched 40,000 characters to find a phonetic equivalent “**ko-kou-ko-le**”, translating into “**happiness in the mouth**”.

**Colgate** - Colgate introduced a toothpaste in France called **Cue**, the name of a notorious porno magazine.

**Coors** - Coors put its slogan, “**Turn it loose,**” into Spanish, where it was read as “**suffer from diarrhea**”.

**Dairy Association** - The Dairy Association’s huge success with the campaign “**Got Milk?**” prompted them to expand advertising to Mexico. It was soon brought to their attention the Spanish translation read “**Are your lactating?**”

**Electrolux** - Scandinavian vacuum manufacturer Electrolux used the following in an American campaign: “**Nothing sucks like an Electrolux**”.

**Gerber** - When Gerber started selling baby food in Africa, they used the same packaging as in the United States, with the smiling baby on the label.  
*Later they learned that in Africa, companies routinely put pictures on the label of what’s inside, since many people can’t read.*

**Parker Pen** - When Parker Pen marketed a ballpoint pen in Mexico, its ads were supposed to read, “**it won’t leak in your pocket and embarrass you**”. Instead, the company thought that the word “**embarazar**” (**to impregnate**) meant to embarrass, so the ad read: “**It won’t leak in your pocket and make you pregnant**”.

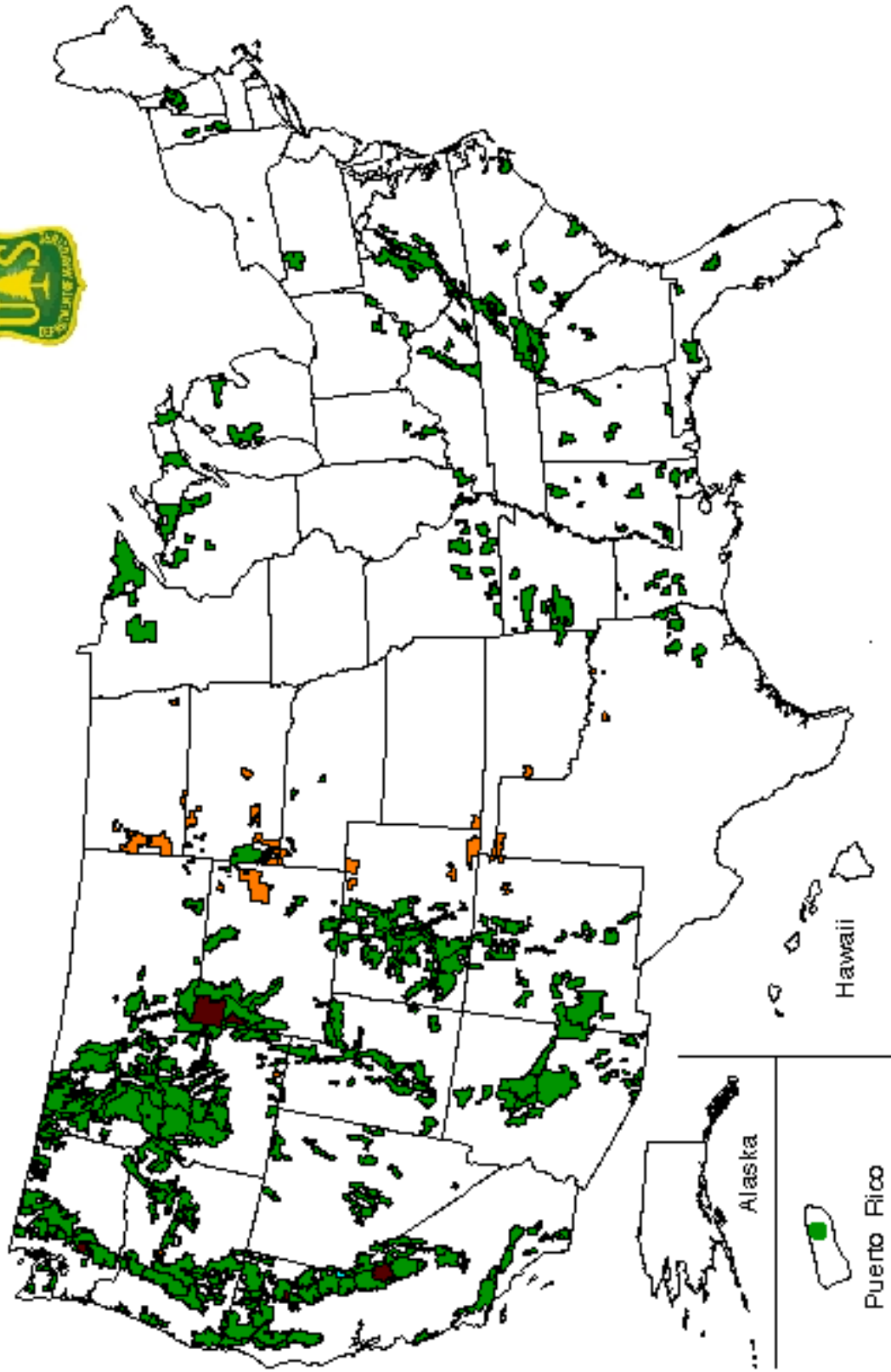
**Pepsi** - Pepsi’s “**Come alive with the Pepsi Generation**” translates into “**Pepsi brings your ancestors back from the grave**”, in Chinese

**Perdue Chicken** - Frank Perdue’s chicken slogan “**it takes a strong man to make a tender chicken**” was translated into Spanish as: “**it takes an aroused man to make a chicken affectionate**”.

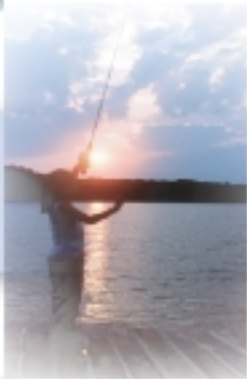
**T-Shirt** - An American T-shirt maker in Miami printed shirts for the Spanish market, which promoted the Pope’s visit. Instead of “**I saw the Pope**” (**el Papa**), the shirts read “**I saw the potato**” (**la papa**).



**AVAILABLE  
BUSINESS RESOURCES**



*“Caring for the land and serving people”*



Presented by the

