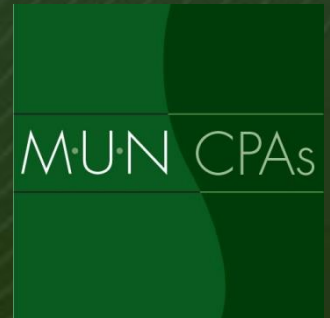


PROJECTING GROWTH AND FUNDING:  
YOU SURVIVED YOUR FIRST YEAR OF  
BUSINESS...  
WHAT'S NEXT?



MANN, URRUTIA, NELSON, CPAs  
& ASSOCIATES, LLP

PRESENTER  
INFORMATION

LOU CATALANO, CPA

PARTNER

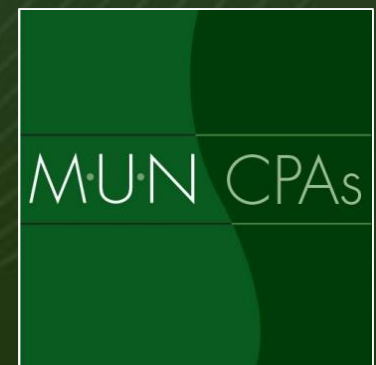
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# TOPICS OF DISCUSSION

- Statement of Cash Flows – What Is It?
- Key Metrics
- Projecting Cash Flow Model
- Tax Savings to Unlock Cash Flow

# WHERE DID THE CASH GO?

## Cash is King Brewing Co Profit & Loss January through December 2017

	Jan - Dec 17
▼ Ordinary Income/Expense	
▼ Income	
Sales	750,000.00
<b>Total Income</b>	<b>750,000.00</b>
▼ Cost of Goods Sold	
Brewing Ingredients	300,000.00
Brewing Labor	187,500.00
<b>Total COGS</b>	<b>487,500.00</b>
<b>Gross Profit</b>	<b>262,500.00</b>
▼ Expense	
Depreciation Expense	25,000.00
Overhead	185,000.00
<b>Total Expense</b>	<b>210,000.00</b>
<b>Net Ordinary Income</b>	<b>52,500.00</b>
<b>Net Income</b>	<b>52,500.00</b>

# WHERE DID THE CASH GO?

## Cash is King Brewing Co Balance Sheet As of December 31, 2017

	Dec 31, 17	Dec 31, 16	\$ Change
<b>ASSETS</b>			
<b>Current Assets</b>			
Checking/Savings	-527.40	60,000.00	-60,527.40
Accounts Receivable	67,808.22	0.00	67,808.22
<b>Other Current Assets</b>			
Raw Ingredients Inventory	36,986.30	0.00	36,986.30
Total Other Current Assets	36,986.30	0.00	36,986.30
<b>Total Current Assets</b>	<b>104,267.12</b>	<b>60,000.00</b>	<b>44,267.12</b>
<b>Fixed Assets</b>			
Accumulated Depreciation	-25,000.00	0.00	-25,000.00
Brewery	500,000.00	500,000.00	0.00
<b>Total Fixed Assets</b>	<b>475,000.00</b>	<b>500,000.00</b>	<b>-25,000.00</b>
<b>TOTAL ASSETS</b>	<b>579,267.12</b>	<b>560,000.00</b>	<b>19,267.12</b>
<b>LIABILITIES &amp; EQUITY</b>			
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts Payable	16,767.12	0.00	16,767.12
<b>Other Current Liabilities</b>			
Brewery Loan	450,000.00	500,000.00	-50,000.00
Total Other Current Liabilities	450,000.00	500,000.00	-50,000.00
<b>Total Current Liabilities</b>	<b>466,767.12</b>	<b>500,000.00</b>	<b>-33,232.88</b>
<b>Total Liabilities</b>	<b>466,767.12</b>	<b>500,000.00</b>	<b>-33,232.88</b>
<b>Equity</b>			
Retained Earnings	60,000.00	60,000.00	0.00
Net Income	52,500.00	0.00	52,500.00
<b>Total Equity</b>	<b>112,500.00</b>	<b>60,000.00</b>	<b>52,500.00</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>579,267.12</b>	<b>560,000.00</b>	<b>19,267.12</b>

# STATEMENT OF CASH FLOWS

## Cash is King Brewing Co Statement of Cash Flows January through December 2017

	: Jan - Dec 17 :
<b>▼ OPERATING ACTIVITIES</b>	
Net Income	52,500.00
<b>▼ Adjustments to reconcile Net Income</b>	
<b>▼ to net cash provided by operations:</b>	
Accounts Receivable	-67,808.22
Raw Ingredients Inventory	-36,986.30
Accounts Payable	16,767.12
Brewery Loan	-50,000.00
<b>Net cash provided by Operating Activities</b>	<b>-85,527.40</b>
<b>▼ INVESTING ACTIVITIES</b>	
Accumulated Depreciation	25,000.00
<b>Net cash provided by Investing Activities</b>	<b>25,000.00</b>
<b>Net cash increase for period</b>	<b>-60,527.40</b>
Cash at beginning of period	60,000.00
<b>Cash at end of period</b>	<b><u>-527.40</u></b>

# KEY RATIOS

- A/R Days
- Inventory Days on Hand
- A/P Days
- Profitability

# A/R DAYS

- $\frac{\textit{Accounts Receivable}}{\textit{Total Sales}} \times 365 = \textit{A/R Days}$
- $\frac{67,808}{750,000} \times 350 = 33 \textit{ Days}$
- Goal: Lowest Possible Number
- Responsibility: Collections, Deliveries, Sales Reps



# INVENTORY DAYS ON HAND

- $$\frac{\text{Inventory}}{\text{Cost of goods sold}} \times 365 = \text{Inventory Days on Hand}$$
- $$\frac{36,986}{300,000} \times 365 = 45 \text{ Days}$$
- Goal: Lowest possible number without running out
- Responsibility: Purchasing/Ordering

# A/P DAYS

- $\frac{\text{Accounts Payable}}{\text{Total purchases}} \times 365 = \text{A/P Days}$
- $\frac{16,767}{485,000} \times 365 = 12.6 \text{ Days}$
- Goal: Highest number without incurring finance charges
  - Note if supplier offers early payment discount, take it!!
- Responsibility: Payables department

# PROFITABILITY

- Gross Margin
- Operating Expenses
- Fixed vs. Variable expenses
- Bulk Discounts

# CASH FLOW PROJECTION MODEL

- Step 1 – Calculate your metrics based on actual numbers (or estimate if brand new)
- Step 2 – Project growth or retraction in projection period
- Step 3 – Calculate anticipated changes in cash flow accounts
- Step 4 – Run model for projection period

# REVIEW THE MODEL



= input cell

= optional input

Income Statement			Current Financials		Cash Flow	
Gross Income		750,000	Key Ratios		Cash Flow	
COGS Materials	40.0%	(300,000)				
COGS Labor	25.0%	(187,500)				
Gross Profit		262,500	A/R Days	33.0	Cash at beginning of period	60,000
Operating Expenses	24.7%	(185,000)	A/P Days	12.6	Plus Net Income	52,500
Depreciation	3.3%	(25,000)	Inventory Days on hand	45.0	Less Increase in A/R	(67,808)
Net Profit	7.0%	52,500			Less Increase in Inventory	(36,986)
Balance Sheet					Plus Increase in A/P	16,767
	Beginning	Ending	Change		Less Debt service	(50,000)
A/R	-	67,808	67,808		Plus Depreciation	25,000
Inventory	-	36,986	36,986		Cash at end of period	(527)
A/P	-	16,767	16,767			
Loan	500,000	450,000	(50,000)			

Projected Financials			Cash Flow Projection		Cash Projection		
Income Statement			Key Ratios		Cash Projection		
	% change		Projected				
Gross Income		825,000	A/R Days	33.0	74,589	Cash at beginning of period	(527)
COGS Materials	40.0%	(330,000)	A/P Days	12.6	18,444	Plus Net Income	60,250
COGS Labor	25.0%	(206,250)	Inventory Days on hand	45.0	40,685	Less Increase in A/R	(6,781)
Gross Profit		288,750				Less Increase in Inventory	(3,699)
Operating Expenses	24.7%	(203,500)				Plus Increase in A/P	1,677
Depreciation		(25,000)				Less Debt Service	(50,000)
Net Profit	7.3%	60,250				Plus Depreciation	25,000
Balance Sheet						Cash at end of period	25,920
	Beginning	Ending	Change			Expected Capital Expenditures	
A/R	67,808	74,589	6,781			Inflows from Financing	
Inventory	36,986	40,685	3,699			Net projected Cash	25,920
A/P	16,767	18,444	1,677				
Loan	450,000	400,000	(50,000)				

# TAX CONSIDERATIONS

- Tax Credits/Deductions
  - ~~Section 199 Deduction~~ QBI Deduction
  - FICA Tip Credit (Tasting Room)
  - Research and Development
  - Timing Depreciation (Bonus, Section 179)
  - WOTC Federal Tax Credit
  - California Competes
  - Sales Tax Exemption
  - Profit Sharing

*Thank you for attending! If you have any questions  
on any of the material covered today, please feel  
free to reach out to us for a complimentary  
consultation.*

PRESENTER  
INFORMATION

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