Financial Projections Template Instructions

Financial Projections – 3 years

Sources and Uses
The **Sources and Uses** statement collects data on financing needed, equity invested and assets purchased. Depreciation and Amortization on new assets is calculated based on Straight-Line IRS tables. Loan payments and New Depreciation & Amortization will be calculated based on the entries for Loans, Building and Equipment (Depreciation), Start-Up Costs and Goodwill (Amortization). Enter a month to start: "1" for January, "2" for February, etc. For loans the starting month should be the month prior to the month of the first payment. Existing assets depreciation and amortization can be estimated by entering the annual amount on this sheet.
Note: Enter the loan, equity and capital expenditure amounts on the appropriate cash flow statements in the months funds will be disbursed. This will usually be one month prior to the first payment.

Loan Amortizations
Loan Amortizations for loans 1, 2, and 3 pull the loan amounts automatically from the Sources and Uses statement. Enter the loan description, interest rate, term of the loan, and the month of first payment for each loan ("1" for January, "2" for February, etc.). Principal and interest, as well as the declining loan balance and current maturities of long-term debt are automatically entered on the appropriate sheets in the appropriate month.

Existing Loan Amortizations
The **Existing Loan Amortizations** sheet allows for up to 8 existing loans. Enter the lender, loan interest rate, loan balance and number of months remaining as of the end of the prior year. Enter Y or N for Interest Only. Do not enter loans that are going to be refinanced.
Note: On the Yr 1 Balance Sheet (BS) in the Beginning Column (in the blue fields) enter the total amount of the existing loans in the "Existing Loans" field and enter the corresponding asset amount in the appropriate asset fields(s).

Existing Loans to be Refinanced
The **Existing Loans to be Refinanced** sheet is used if any existing debt is being refinanced. If so, on the Sources and Uses sheet, enter the total dollar amount to be refinanced under Uses. On this sheet, enter each loan to be refinanced, lender, interest rate, balance and number of months remaining as of the end of the prior year. The loan balance entered should be the starting loan balance at the beginning of the current year. Enter Y or N for Interest Only. Enter the number of the month in which the refinancing will take place. This will be the

month AFTER the last payment on the existing loan. For the new loan that will be taking its place, the month payments start date will be the same as the Refinance Month. (Example: Existing loan paid off in February and assuming the February payment will still be made then enter March (3) as the Refinance Month. (Enter this on the Loan Amortization tab for the new loan.)

Note: Only NEW debt and assets should be entered on the cash flow statement, <u>not the refinanced amount</u>.

Existing Lines, Notes CC Amortizations

The *Existing Lines, Notes CC Amortizations* sheet is used to develop the amortization schedules for short-term Lines of Credit, Notes Payable, and Credit Cards Payable. Enter the information requested and Y or N for Interest Only.

Debt Schedule

The *Debt Schedule* pulls the existing loan amortizations together in one simple form that can be presented in a loan package.

Sales Projections

On the *Sales Projections* sheet, enter a target sales amount for each month in **YR 1 Sales**. Enter each individual product (up to 10), the percentage of total sales for each product and the expected Cost of Goods Sold for each product. Entering a price-per-unit for each product will identify the number of sales for each product necessary to achieve the level of sales in each month.

Sales Projections sheets for the next two years carry forward the product names, percentage of sales per product, and percentage of sales per month. This can be changed if the company expects changes. Enter new sales goals and Cost of Goods Sold percentages in year's two and three.

Income Statement

Sales and Cost of Goods Sold data transfers from the Sales Projections sheet to the *Income Statement* for each year. Enter monthly expenses beginning with January. The amounts will be automatically copied across all months and totaled at year end. Changes can be made to each individual month by overriding the formula. Amortization, Depreciation, and Interest Expense are calculated automatically based on entries on prior sheets. Merchant Credit Card Fees (MCCF) are calculated after entering the percentage of sales made by credit cards and the percentage fee charged in the blue fields to the right of the MCCF line. Enter Balance Sheet Assumptions - Days Receivable and Days Payable at the top of the Income Statement.

Cash Flow Statement

The *Cash Flow Statement* takes into account data entered on all prior sheets and records the monthly change in cash. **If entering a beginning balance sheet you must enter the starting cash in cell C444 in YR 1 CF.** Blue fields allow for manual entries to record changes client anticipates in the various asset, liability and equity accounts. There is an "Out of Balance" line in gray below Ending Cash. Check this to ensure that Ending Cash Balance on the Cash Flow Statement matches Cash balance on the Balance Sheet each month.
Note: Enter the loan, equity and capital expenditure amounts on the appropriate cash flow statements in the months funds will be disbursed. This will usually be one month prior to the first payment.

Balance Sheets

Monthly **Balance Sheets** are generated by data entered in all prior forms. Enter the prior year's Balance Sheet in the first column (in the blue fields) for it to calculate correctly. **Additionally, work with client to determine expected purchases of inventory. Purchases are entered in the blue fields across the top of the Balance Sheet.** *Note: Another method used to enter inventory purchases is to create a formula that uses the next month COGS as purchases for the current month.* A double-check to ensure Cash Flow Statement and Balance Sheets are accurate is to compare the Ending Cash on the Cash Flow Statement to the Cash Asset on the Balance Sheet for each month – they should match. The beginning Balance Sheet for year's two and three is automatically carried forward from the prior year.

Projections vs. Actual

Data from the Income Statement sheet for YR 1 transfers to the **Proj vs. Actual** sheet. If you review the client's financial statements on a monthly basis, enter actual data in the blue fields and compare each month to the projected numbers.

Summary Projections

The **Summary Projections** report pulls everything together in a summary report including the Sources & Uses, Income Statement, Cash Flow and Capital Investments.

Financial Ratios

Financial Ratios are calculated based on the data entered. Industry numbers can be entered for comparison purposes.

Break Even

The **Break Even** sales level is determined for each year. Expenses classified as variable (like merchant credit card fees) can be moved to the field labeled "Other" and must then be subtracted (enter -) from the fixed expense total in the "Less: Costs moved to variable" field. A per-unit price can be entered to calculate break-even unit, and a profit goal can be entered to determine the level of sales necessary to achieve this profit. It also calculates how much sales must increase when fixed costs increase.

To unlock each sheet, enter the password ("nemnsbdc") under the Review tab > Unprotect Sheet. However, you are strongly encourage to enter as much data as possible with the sheets locked. If you must over-ride existing formulas, review the formula to determine where the data is coming from and where data entered in this cell may be pulled to so you can ensure the sheets continue to work properly.

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