

# **BUSINESS FINANCIAL PLAN**

For

Acme Manufacturing Inc.  
2754 Grand Avenue  
Madison WI, 53714

Analysis as of: December 31 2007



PREPARED BY

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Report Date: January 15 2008





January 15 2008

Mr. Nicholas Johnson, President  
Acme Manufacturing Inc.  
3569 Apple Dr.  
Madison, WI 53562

Dear: Mr. Johnson:

Thank you for contacting us. The following is the business financial plan that you requested on Acme Manufacturing Inc. located at 3569 Apple Dr., Madison, WI 53562. Enclosed you will find our complete financial plan for this business. This letter contains a general overview of the findings of our analysis. For more complete data, please review the enclosed information.

As part of our financial analysis, we estimated the potential of the company's financial performance by creating a financial model. To begin this model, we started with a budget as the base standard. It is a short term financial plan that was created using a combination of industry standards of similar businesses of size and type in the subject's market and the subject company's actual historical performance if it was available. It is tempered with the sales potential and an examination of the actual market's cost of labor, rent, fixed costs and other appropriate items. The base standard was then adjusted using assumptions that either increase or decrease the sales and/or price and/or expense line-items. The final result of this analysis is totally dependent upon the assumptions made herein. Since this is a financial analysis that is dependent upon the listed assumptions, it must be understood that different financial variable assumptions would yield different results. Using the assumptions that are shown on each of the expense line-items contained on the attached proforma budget, and assuming the sales will change by 2.00% and assuming the price will change by 1.50%, the first year's budgeted profit would be 5.57%, \$398,852.

As part of the short term financial plan, we have included a job costing analysis that would accurately determine, when multiplied to the estimated cost of labor and/or materials of the company's product(s), both the job cost multipliers for job or product's cost and the job cost multipliers that would create the base selling price standard needed to achieve the company's budget goal. To achieve the results of the attached budget goals, the multiplier that would be used for the labor calculation is 2.4664 and the multiplier that would be used for the materials calculation is 1.6084. To determine cost of any job or product, the multiplier that would be used for the labor calculation (if appropriate) would be 2.3385 and the multiplier that would be used for the materials (if appropriate) would be 1.5250. If your product(s) use both labor and materials, you would use the sum of the labor cost of your product times the labor multiplier and the

material cost of your product times the materials multiplier. If your product contains either labor or materials, you would use the appropriate multiplier.

Using the same budgeting and job cost/pricing strategies, the original budget was the base standard that was worked forward. We were able to forecast the company's profit position out for a period of 4 years. To maintain our accuracy, we calculated specific annual budgets for each of the next 4 years. Each budget was built upon the budget from the prior year. Sales increases and decreases, price increases and decreases, direct cost increases and decreases, variable cost increases and decreases and fixed cost expense increases and decreases were considered for each budget year. The annual profit forecasting results can be seen on The Profit Forecaster™ schedule that is attached. To conclude our analysis, we determined the cash demands of the company that would be needed to achieve the budgeted profit goals. As part of the analysis, we used similar companies and market conditions as the base standard and the subject company's actual historical performance if it was available. We also estimated the number of days-out in the collection of receipts and the payment of the company's obligations to the amounts shown on the attached cash flow schedules.

An analysis of the effects on profit and/or cash demand that other collection or payment periods would have on the cash flow are also available as a separate analysis. Based upon the attached anticipated cash flow schedule, it was determined that the following cash or credit line of \$12,394 would be needed to fund next year's budget goal. Based upon an anticipated credit line having a rate of 7.5%, \$380 would be paid in interest expense to fund the credit line. After adjusting the original budgeted profit of \$398,851 for the additional expense of the credit line and any additional profit generated from discounting, the new anticipated Net Profit Before Taxes would be 5.79%, \$414,647.

This is an accurate mathematical analysis that is dependent upon the assumptions made herein. Since the analysis is dependent upon the listed assumptions, remember that different financial variable assumptions would yield different results. I would be glad to work with you in creating any additional business models that are based upon different sales, price and expense assumptions that you would like to consider.

This is a sample insert for the evaluator cover letter to show the location of the insert in this sample business analysis/valuation report.

Sincerely,

Robert Smith CPA  
President

Enclosures

## PROFORMA FIRST YEAR FINANCIAL BUDGET SUMMARY

**Budget Assumptions:**

Sales Increase = 2%

Price Increase = 1.5%

		Budget Year Ending % <u>12/31/08</u>	
<b>INCOME:</b>			
Sales		100	
Total Income		100	\$7,156,527
=====			
<b>Cost of Goods Sold:</b>			
Direct Costs - Labor	23.25		\$1,663,981
Direct Costs - Materials	22.56		\$1,614,625
Direct Costs - Subcontractor	2.66		\$190,467
Direct Costs - Other	1.11		\$79,444
=====			
Total Cost of Goods Sold	49.58		\$3,548,516
=====			
<b>GROSS PROFIT</b>	50.42		\$3,608,010
(Total Income less COS)			
=====			
<b>LESS: OPERATING COSTS</b>			
Total Variable Costs	18.73		\$1,340,681
(See detail schedule on next page)			
=====			
Fixed Costs			
Total Fixed Costs	26.21		\$1,875,981
(See detail schedule on next page)			
=====			
Total Operating Costs			
(Fixed Costs plus Variable Costs)			
Total Operating Costs	44.95		\$3,216,662
=====			
Other Income (Expenses)			
Total Other Income (Expenses)	0.11		\$7,503
(See detail schedule on next page)			
=====			
<b>BUDGET- NET OPERATING INCOME</b>	5.57		\$398,852
=====			

## PROFORMA FIRST YEAR FINANCIAL BUDGET DETAIL

	%	Budget Year Ending 12/31/08
Variable Costs:		
Advertising & Promotion	0.76	\$54,617
Auto & Truck Gas, Oil, Repairs	2.02	\$144,731
Bad Debt	0.30	\$21,199
Bank Charges	0.10	\$7,358
Employee Benefits	2.44	\$174,936
Freight	0.21	\$14,947
Insurance - W. C. Direct Labor	0.90	\$64,314
Laundry, Cleaning	0.09	\$6,615
License & Permits	0.06	\$4,387
Miscellaneous	0.00	\$320
Office Supplies	0.63	\$44,733
Other	0.09	\$6,131
Payroll Taxes (Direct Labor)	2.12	\$152,064
Shop Supplies & Small Tools	0.61	\$43,644
Travel, Lodging & Entertainment	0.02	\$1,610
U.P.S./FedEx	0.02	\$1,424
Union Benefits/Dues	7.60	\$543,542
Warranty Expense	0.76	\$54,110
<b>Total Variable Costs</b>	<b>18.73</b>	<b>\$1,340,681</b>
Fixed Costs:		
Contributions	0.03	\$1,826
Depreciation	1.28	\$91,489
Dues & Subscriptions	0.22	\$15,650
Insurance - Auto & Liability	3.99	\$285,512
Insurance - Group Health	0.17	\$12,351
Insurance - Officer	0.09	\$6,736
Payroll Tax - Office	1.55	\$110,822
Pension Plan	0.85	\$60,771
Professional Fees	0.78	\$56,044
Property Taxes	0.21	\$14,688
Rent	0.76	\$54,339
Repairs & Maintenance	0.12	\$8,307
Salaries - Owner	2.72	\$195,000
Salaries - Office/Shop	13.20	\$944,476
Telephone	0.10	\$7,470
Utilities	0.15	\$10,500
<b>Total Fixed Costs</b>	<b>26.21</b>	<b>\$1,875,981</b>
<b>Total Operating Costs</b>	<b>44.95</b>	<b>\$3,216,662</b>
Other Income (Expenses):		
Other Income	0.45	\$32,101
Other Expense - Interest	0.34	\$24,598
<b>Total Other Income (Expenses)</b>	<b>0.11</b>	<b>\$7,503</b>

## COMMENTS – BUDGET

## ADJUSTMENTS FOR YEAR: 2007

<u>Line Item Adjusted</u>	<u>Comments</u>
Direct Costs - Labor	Implement incentive plans to reduce the direct labor cost.
Employee Benefits	Increase the budgeted amount for incentive plans by \$15,000 to anticipate the direct labor payouts from the new incentive plan.
Insurance - Auto & Liability	Anticipate a 4% auto and liability insurance cost increase.
Insurance - Group Health	Anticipate an 8% health insurance cost increase.
Payroll Tax - Office	Increase to cover the anticipated salary/wage increases for employees and the owner.
Professional Fees	Reduced by \$34,500 for the legal fees for the unexpected product liability law suit last year. Plus add back an additional \$10,000 for business consulting to create and implement an incentive plan for the direct labor force.
Rent	Contracted rent increase of 3%.
Repairs & Maintenance	Catch up on some deferred maintenance.
Salaries - Office/Shop	Increase office wages/salaries by 2% for the annual cost of living increase (CPI).

## PROFORMA FIRST YEAR FINANCIAL BUDGET DETAIL Q1

	M1 %	Amount	M2 %	Amount	M3 %	Amount
Income:	7.42	\$531,014	9.22	\$659,832	6.82	\$488,075
Cost of Goods Sold:						
Direct Costs - Labor	23.25	\$123,467	23.25	\$153,419	23.25	\$113,484
Direct Costs - Materials	22.56	\$119,805	22.56	\$148,868	22.56	\$110,117
Direct Costs - Equipment	0.00	\$0	0.00	\$0	0.00	\$0
Direct Costs - Subcontractor	2.66	\$14,133	2.66	\$17,561	2.66	\$12,990
Direct Costs - Other	1.11	\$5,895	1.11	\$7,325	1.11	\$5,418
<b>Total Cost of Goods Sold</b>	<b>49.58</b>	<b>\$263,300</b>	<b>49.58</b>	<b>\$327,173</b>	<b>49.58</b>	<b>\$242,009</b>
<b>Gross Profit</b>	<b>50.42</b>	<b>\$267,714</b>	<b>50.42</b>	<b>\$332,659</b>	<b>50.42</b>	<b>\$246,066</b>
Variable Costs:						
Advertising & Promotion	0.76	\$4,053	0.76	\$5,036	0.76	\$3,725
Auto & Truck Gas, Oil, Repairs	2.02	\$10,739	2.02	\$13,344	2.02	\$9,871
Bad Debt	0.30	\$1,573	0.30	\$1,955	0.30	\$1,446
Bank Charges	0.10	\$546	0.10	\$678	0.10	\$502
Employee Benefits	2.44	\$12,980	2.44	\$16,129	2.44	\$11,931
Freight	0.21	\$1,109	0.21	\$1,378	0.21	\$1,019
Insurance - W. C. Direct Labor	0.90	\$4,772	0.90	\$5,930	0.90	\$4,386
Laundry, Cleaning	0.09	\$491	0.09	\$610	0.09	\$451
License & Permits	0.06	\$326	0.06	\$404	0.06	\$299
Miscellaneous	0.00	\$24	0.00	\$30	0.00	\$22
Office Supplies	0.63	\$3,319	0.63	\$4,124	0.63	\$3,051
Other	0.09	\$455	0.09	\$565	0.09	\$418
Payroll Taxes (Direct Labor)	2.12	\$11,283	2.12	\$14,020	2.12	\$10,371
Rentals	0.00	\$0	0.00	\$0	0.00	\$0
Sales Commissions	0.00	\$0	0.00	\$0	0.00	\$0
Sales Tax Expense	0.00	\$0	0.00	\$0	0.00	\$0
Shop Supplies & Small Tools	0.61	\$3,238	0.61	\$4,024	0.61	\$2,977
Travel, Lodging & Entertainment	0.02	\$119	0.02	\$148	0.02	\$110
U.P.S./FedEx	0.02	\$106	0.02	\$131	0.02	\$97
Union Benefits/Dues	7.60	\$40,331	7.60	\$50,115	7.60	\$37,070
Warranty Expense	0.76	\$4,015	0.76	\$4,989	0.76	\$3,690
<b>Total Variable Costs</b>	<b>18.73</b>	<b>\$99,479</b>	<b>18.73</b>	<b>\$123,610</b>	<b>18.73</b>	<b>\$91,436</b>
Fixed Costs:						
Contributions	0.03	\$152	0.02	\$152	0.03	\$152
Depreciation	1.44	\$7,624	1.16	\$7,624	1.56	\$7,624
Dues & Subscriptions	0.25	\$1,304	0.20	\$1,304	0.27	\$1,304
Insurance - Auto & Liability	4.48	\$23,793	3.61	\$23,793	4.87	\$23,793
Insurance - Group Health	0.19	\$1,029	0.16	\$1,029	0.21	\$1,029
Insurance - Officer	0.11	\$561	0.09	\$561	0.12	\$561
Insurance - W. C. Office	0.00	\$0	0.00	\$0	0.00	\$0
Payroll Tax - Office	1.74	\$9,235	1.40	\$9,235	1.89	\$9,235
Pension Plan	0.95	\$5,064	0.77	\$5,064	1.04	\$5,064
Postage, Mailings	0.00	\$0	0.00	\$0	0.00	\$0
Professional Fees	0.88	\$4,670	0.71	\$4,670	0.96	\$4,670
Property Taxes	0.23	\$1,224	0.19	\$1,224	0.25	\$1,224
Rent	0.85	\$4,528	0.69	\$4,528	0.93	\$4,528
Repairs & Maintenance	0.13	\$692	0.10	\$692	0.14	\$692
Salaries - Owner	3.06	\$16,250	2.46	\$16,250	3.33	\$16,250
Salaries - Office/Shop	14.82	\$78,706	11.93	\$78,706	16.13	\$78,706
Telephone	0.12	\$623	0.09	\$623	0.13	\$623
Utilities	0.16	\$875	0.13	\$875	0.18	\$875
<b>Total Fixed Costs</b>	<b>29.44</b>	<b>\$156,330</b>	<b>23.71</b>	<b>\$156,330</b>	<b>32.04</b>	<b>\$156,330</b>
<b>Total Operating Costs</b>	<b>48.17</b>	<b>\$255,809</b>	<b>42.43</b>	<b>\$279,940</b>	<b>50.76</b>	<b>\$247,766</b>
Other Income (Expenses):						
Other Income	0.45	\$2,382	0.45	\$2,960	0.45	\$2,189
Other Expense - Interest	0.34	\$1,825	0.34	\$2,268	0.34	\$1,678
Other Expense	0.00	\$0	0.00	\$0	0.00	\$0
<b>Total Other Income (Expenses)</b>	<b>0.11</b>	<b>\$557</b>	<b>0.11</b>	<b>\$692</b>	<b>0.11</b>	<b>\$511</b>
<b>BUDGET - NET OPERATING INCOME</b>	<b>2.35</b>	<b>\$12,462</b>	<b>8.09</b>	<b>\$53,411</b>	<b>-0.24</b>	<b>(\$1,189)</b>

## PROFORMA FIRST YEAR FINANCIAL BUDGET DETAIL Q2

	M4 %	Amount	M5 %	Amount	M6 %	Amount
Income:	8.24	\$589,698	8.61	\$616,177	9.96	\$712,790
Cost of Goods Sold:						
Direct Costs - Labor	23.25	\$137,112	23.25	\$143,269	23.25	\$165,733
Direct Costs - Materials	22.56	\$133,045	22.56	\$139,019	22.56	\$160,817
Direct Costs - Equipment	0.00	\$0	0.00	\$0	0.00	\$0
Direct Costs - Subcontractor	2.66	\$15,694	2.66	\$16,399	2.66	\$18,971
Direct Costs - Other	1.11	\$6,546	1.11	\$6,840	1.11	\$7,913
<b>Total Cost of Goods Sold</b>	<b>49.58</b>	<b>\$292,397</b>	<b>49.58</b>	<b>\$305,527</b>	<b>49.58</b>	<b>\$353,434</b>
<b>Gross Profit</b>	<b>50.42</b>	<b>\$297,301</b>	<b>50.42</b>	<b>\$310,650</b>	<b>50.42</b>	<b>\$359,356</b>
Variable Costs:						
Advertising & Promotion	0.76	\$4,500	0.76	\$4,703	0.76	\$5,440
Auto & Truck Gas, Oil, Repairs	2.02	\$11,926	2.02	\$12,461	2.02	\$14,415
Bad Debt	0.30	\$1,747	0.30	\$1,825	0.30	\$2,111
Bank Charges	0.10	\$606	0.10	\$634	0.10	\$733
Employee Benefits	2.44	\$14,415	2.44	\$15,062	2.44	\$17,424
Freight	0.21	\$1,232	0.21	\$1,287	0.21	\$1,489
Insurance - W. C. Direct Labor	0.90	\$5,299	0.90	\$5,537	0.90	\$6,406
Laundry, Cleaning	0.09	\$545	0.09	\$570	0.09	\$659
License & Permits	0.06	\$361	0.06	\$378	0.06	\$437
Miscellaneous	0.00	\$26	0.00	\$28	0.00	\$32
Office Supplies	0.63	\$3,686	0.63	\$3,852	0.63	\$4,455
Other	0.09	\$505	0.09	\$528	0.09	\$611
Payroll Taxes (Direct Labor)	2.12	\$12,530	2.12	\$13,093	2.12	\$15,146
Rentals	0.00	\$0	0.00	\$0	0.00	\$0
Sales Commissions	0.00	\$0	0.00	\$0	0.00	\$0
Sales Tax Expense	0.00	\$0	0.00	\$0	0.00	\$0
Shop Supplies & Small Tools	0.61	\$3,596	0.61	\$3,758	0.61	\$4,347
Travel, Lodging & Entertainment	0.02	\$133	0.02	\$139	0.02	\$160
U.P.S./FedEx	0.02	\$117	0.02	\$123	0.02	\$142
Union Benefits/Dues	7.60	\$44,788	7.60	\$46,799	7.60	\$54,137
Warranty Expense	0.76	\$4,459	0.76	\$4,659	0.76	\$5,389
<b>Total Variable Costs</b>	<b>18.73</b>	<b>\$110,471</b>	<b>18.73</b>	<b>\$115,436</b>	<b>18.73</b>	<b>\$133,533</b>
Fixed Costs:						
Contributions	0.03	\$152	0.02	\$152	0.02	\$152
Depreciation	1.29	\$7,624	1.24	\$7,624	1.07	\$7,624
Dues & Subscriptions	0.22	\$1,304	0.21	\$1,304	0.18	\$1,304
Insurance - Auto & Liability	4.03	\$23,793	3.86	\$23,793	3.34	\$23,793
Insurance - Group Health	0.17	\$1,029	0.17	\$1,029	0.14	\$1,029
Insurance - Officer	0.10	\$561	0.09	\$561	0.08	\$561
Insurance - W. C. Office	0.00	\$0	0.00	\$0	0.00	\$0
Payroll Tax - Office	1.57	\$9,235	1.50	\$9,235	1.30	\$9,235
Pension Plan	0.86	\$5,064	0.82	\$5,064	0.71	\$5,064
Postage, Mailings	0.00	\$0	0.00	\$0	0.00	\$0
Professional Fees	0.79	\$4,670	0.76	\$4,670	0.66	\$4,670
Property Taxes	0.21	\$1,224	0.20	\$1,224	0.17	\$1,224
Rent	0.77	\$4,528	0.73	\$4,528	0.64	\$4,528
Repairs & Maintenance	0.12	\$692	0.11	\$692	0.10	\$692
Salaries - Owner	2.76	\$16,250	2.64	\$16,250	2.28	\$16,250
Salaries - Office/Shop	13.35	\$78,706	12.77	\$78,706	11.04	\$78,706
Telephone	0.11	\$623	0.10	\$623	0.09	\$623
Utilities	0.15	\$875	0.14	\$875	0.12	\$875
<b>Total Fixed Costs</b>	<b>26.53</b>	<b>\$156,330</b>	<b>25.36</b>	<b>\$156,330</b>	<b>21.94</b>	<b>\$156,330</b>
<b>Total Operating Costs</b>	<b>45.24</b>	<b>\$266,801</b>	<b>44.11</b>	<b>\$271,766</b>	<b>40.67</b>	<b>\$289,863</b>
Other Income (Expenses):						
Other Income	0.45	\$2,645	0.45	\$2,764	0.45	\$3,197
Other Expense - Interest	0.34	\$2,027	0.34	\$2,118	0.34	\$2,450
Other Expense	0.00	\$0	0.00	\$0	0.00	\$0
<b>Total Other Income (Expenses)</b>	<b>0.11</b>	<b>\$618</b>	<b>0.11</b>	<b>\$646</b>	<b>0.11</b>	<b>\$747</b>
<b>BUDGET - NET OPERATING INCOME</b>	<b>5.28</b>	<b>\$31,118</b>	<b>6.42</b>	<b>\$39,530</b>	<b>9.85</b>	<b>\$70,240</b>

## PROFORMA FIRST YEAR FINANCIAL BUDGET DETAIL Q3

	M7 %	Amount	M8%	Amount	M9 %	Amount
Income:	8.31	\$594,707	8.99	\$643,372	6.11	\$437,264
Cost of Goods Sold:						
Direct Costs - Labor	23.25	\$138,277	23.25	\$149,592	23.25	\$101,669
Direct Costs - Materials	22.56	\$134,175	22.56	\$145,155	22.56	\$98,654
Direct Costs - Equipment	0.00	\$0	0.00	\$0	0.00	\$0
Direct Costs - Subcontractor	2.66	\$15,828	2.66	\$17,123	2.66	\$11,638
Direct Costs - Other	1.11	\$6,602	1.11	\$7,142	1.11	\$4,854
<b>Total Cost of Goods Sold</b>	<b>49.58</b>	<b>\$294,882</b>	<b>49.58</b>	<b>\$319,012</b>	<b>49.58</b>	<b>\$216,815</b>
<b>Gross Profit</b>	<b>50.42</b>	<b>\$299,825</b>	<b>50.42</b>	<b>\$324,360</b>	<b>50.42</b>	<b>\$220,449</b>
Variable Costs:						
Advertising & Promotion	0.76	\$4,539	0.76	\$4,910	0.76	\$3,337
Auto & Truck Gas, Oil, Repairs	2.02	\$12,027	2.02	\$13,011	2.02	\$8,843
Bad Debt	0.30	\$1,762	0.30	\$1,906	0.30	\$1,295
Bank Charges	0.10	\$611	0.10	\$661	0.10	\$450
Employee Benefits	2.44	\$14,537	2.44	\$15,727	2.44	\$10,689
Freight	0.21	\$1,242	0.21	\$1,344	0.21	\$913
Insurance - W. C. Direct Labor	0.90	\$5,344	0.90	\$5,782	0.90	\$3,930
Laundry, Cleaning	0.09	\$550	0.09	\$595	0.09	\$404
License & Permits	0.06	\$365	0.06	\$394	0.06	\$268
Miscellaneous	0.00	\$27	0.00	\$29	0.00	\$20
Office Supplies	0.63	\$3,717	0.63	\$4,021	0.63	\$2,733
Other	0.09	\$509	0.09	\$551	0.09	\$375
Payroll Taxes (Direct Labor)	2.12	\$12,637	2.12	\$13,671	2.12	\$9,291
Rentals	0.00	\$0	0.00	\$0	0.00	\$0
Sales Commissions	0.00	\$0	0.00	\$0	0.00	\$0
Sales Tax Expense	0.00	\$0	0.00	\$0	0.00	\$0
Shop Supplies & Small Tools	0.61	\$3,627	0.61	\$3,924	0.61	\$2,667
Travel, Lodging & Entertainment	0.02	\$134	0.02	\$145	0.02	\$98
U.P.S./FedEx	0.02	\$118	0.02	\$128	0.02	\$87
Union Benefits/Dues	7.60	\$45,168	7.60	\$48,864	7.60	\$33,210
Warranty Expense	0.76	\$4,497	0.76	\$4,864	0.76	\$3,306
<b>Total Variable Costs</b>	<b>18.73</b>	<b>\$111,411</b>	<b>18.73</b>	<b>\$120,527</b>	<b>18.73</b>	<b>\$81,916</b>
Fixed Costs:						
Contributions	0.03	\$152	0.02	\$152	0.03	\$152
Depreciation	1.28	\$7,624	1.19	\$7,624	1.74	\$7,624
Dues & Subscriptions	0.22	\$1,304	0.20	\$1,304	0.30	\$1,304
Insurance - Auto & Liability	4.00	\$23,793	3.70	\$23,793	5.44	\$23,793
Insurance - Group Health	0.17	\$1,029	0.16	\$1,029	0.24	\$1,029
Insurance - Officer	0.09	\$561	0.09	\$561	0.13	\$561
Insurance - W. C. Office	0.00	\$0	0.00	\$0	0.00	\$0
Payroll Tax - Office	1.55	\$9,235	1.44	\$9,235	2.11	\$9,235
Pension Plan	0.85	\$5,064	0.79	\$5,064	1.16	\$5,064
Postage, Mailings	0.00	\$0	0.00	\$0	0.00	\$0
Professional Fees	0.79	\$4,670	0.73	\$4,670	1.07	\$4,670
Property Taxes	0.21	\$1,224	0.19	\$1,224	0.28	\$1,224
Rent	0.76	\$4,528	0.70	\$4,528	1.04	\$4,528
Repairs & Maintenance	0.12	\$692	0.11	\$692	0.16	\$692
Salaries - Owner	2.73	\$16,250	2.53	\$16,250	3.72	\$16,250
Salaries - Office/Shop	13.23	\$78,706	12.23	\$78,706	18.00	\$78,706
Telephone	0.10	\$623	0.10	\$623	0.14	\$623
Utilities	0.15	\$875	0.14	\$875	0.20	\$875
<b>Total Fixed Costs</b>	<b>26.28</b>	<b>\$156,330</b>	<b>24.32</b>	<b>\$156,330</b>	<b>35.76</b>	<b>\$156,330</b>
<b>Total Operating Costs</b>	<b>45.02</b>	<b>\$267,741</b>	<b>43.03</b>	<b>\$276,857</b>	<b>54.49</b>	<b>\$238,246</b>
Other Income (Expenses):						
Other Income	0.45	\$2,668	0.45	\$2,886	0.45	\$1,961
Other Expense - Interest	0.34	\$2,044	0.34	\$2,211	0.34	\$1,503
Other Expense	0.00	\$0	0.00	\$0	0.00	\$0
<b>Total Other Income (Expenses)</b>	<b>0.11</b>	<b>\$624</b>	<b>0.11</b>	<b>\$675</b>	<b>0.11</b>	<b>\$458</b>
<b>BUDGET - NET OPERATING INCOME</b>	<b>5.50</b>	<b>\$32,708</b>	<b>7.49</b>	<b>\$48,178</b>	<b>-3.97</b>	<b>(\$17,339)</b>

## PROFORMA FIRST YEAR FINANCIAL BUDGET DETAIL Q4

	M10 %	Amount	M11 %	Amount	M12%	Amount
Income:	9.81	\$702,055	7.42	\$530,299	9.1	\$651,244
Cost of Goods Sold:						
Direct Costs - Labor	23.25	\$163,237	23.25	\$123,301	23.25	\$151,422
Direct Costs - Materials	22.56	\$158,395	22.56	\$119,644	22.56	\$146,931
Direct Costs - Equipment	0.00	\$0	0.00	\$0	0.00	\$0
Direct Costs - Subcontractor	2.66	\$18,685	2.66	\$14,114	2.66	\$17,332
Direct Costs - Other	1.11	\$7,793	1.11	\$5,887	1.11	\$7,229
<b>Total Cost of Goods Sold</b>	<b>49.58</b>	<b>\$348,110</b>	<b>49.58</b>	<b>\$262,946</b>	<b>49.58</b>	<b>\$322,914</b>
<b>Gross Profit</b>	<b>50.42</b>	<b>\$353,945</b>	<b>50.42</b>	<b>\$267,353</b>	<b>50.42</b>	<b>\$328,330</b>
Variable Costs:						
Advertising & Promotion	0.76	\$5,358	0.76	\$4,047	0.76	\$4,970
Auto & Truck Gas, Oil, Repairs	2.02	\$14,198	2.02	\$10,725	2.02	\$13,171
Bad Debt	0.30	\$2,080	0.30	\$1,571	0.30	\$1,929
Bank Charges	0.10	\$722	0.10	\$545	0.10	\$670
Employee Benefits	2.44	\$17,161	2.44	\$12,963	2.44	\$15,919
Freight	0.21	\$1,466	0.21	\$1,108	0.21	\$1,360
Insurance - W. C. Direct Labor	0.90	\$6,309	0.90	\$4,766	0.90	\$5,853
Laundry, Cleaning	0.09	\$649	0.09	\$490	0.09	\$602
License & Permits	0.06	\$430	0.06	\$325	0.06	\$399
Miscellaneous	0.00	\$31	0.00	\$24	0.00	\$29
Office Supplies	0.63	\$4,388	0.63	\$3,315	0.63	\$4,071
Other	0.09	\$601	0.09	\$454	0.09	\$558
Payroll Taxes (Direct Labor)	2.12	\$14,917	2.12	\$11,268	2.12	\$13,838
Rentals	0.00	\$0	0.00	\$0	0.00	\$0
Sales Commissions	0.00	\$0	0.00	\$0	0.00	\$0
Sales Tax Expense	0.00	\$0	0.00	\$0	0.00	\$0
Shop Supplies & Small Tools	0.61	\$4,281	0.61	\$3,234	0.61	\$3,972
Travel, Lodging & Entertainment	0.02	\$158	0.02	\$119	0.02	\$147
U.P.S./FedEx	0.02	\$140	0.02	\$106	0.02	\$130
Union Benefits/Dues	7.60	\$53,321	7.60	\$40,276	7.60	\$49,462
Warranty Expense	0.76	\$5,308	0.76	\$4,010	0.76	\$4,924
<b>Total Variable Costs</b>	<b>18.73</b>	<b>\$131,518</b>	<b>18.73</b>	<b>\$99,346</b>	<b>18.73</b>	<b>\$122,004</b>
Fixed Costs:						
Contributions	0.02	\$152	0.03	\$152	0.02	\$152
Depreciation	1.09	\$7,624	1.44	\$7,624	1.17	\$7,624
Dues & Subscriptions	0.19	\$1,304	0.25	\$1,304	0.20	\$1,304
Insurance - Auto & Liability	3.39	\$23,793	4.49	\$23,793	3.65	\$23,793
Insurance - Group Health	0.15	\$1,029	0.19	\$1,029	0.16	\$1,029
Insurance - Officer	0.08	\$561	0.11	\$561	0.09	\$561
Insurance - W. C. Office	0.00	\$0	0.00	\$0	0.00	\$0
Payroll Tax - Office	1.32	\$9,235	1.74	\$9,235	1.42	\$9,235
Pension Plan	0.72	\$5,064	0.95	\$5,064	0.78	\$5,064
Postage, Mailings	0.00	\$0	0.00	\$0	0.00	\$0
Professional Fees	0.67	\$4,670	0.88	\$4,670	0.72	\$4,670
Property Taxes	0.17	\$1,224	0.23	\$1,224	0.19	\$1,224
Rent	0.64	\$4,528	0.85	\$4,528	0.70	\$4,528
Repairs & Maintenance	0.10	\$692	0.13	\$692	0.11	\$692
Salaries - Owner	2.31	\$16,250	3.06	\$16,250	2.50	\$16,250
Salaries - Office/Shop	11.21	\$78,706	14.84	\$78,706	12.09	\$78,706
Telephone	0.09	\$623	0.12	\$623	0.10	\$623
Utilities	0.12	\$875	0.17	\$875	0.13	\$875
<b>Total Fixed Costs</b>	<b>22.27</b>	<b>\$156,330</b>	<b>29.48</b>	<b>\$156,330</b>	<b>24.03</b>	<b>\$156,330</b>
<b>Total Operating Costs</b>	<b>41.00</b>	<b>\$287,848</b>	<b>48.21</b>	<b>\$255,676</b>	<b>42.74</b>	<b>\$278,334</b>
Other Income (Expenses):						
Other Income	0.45	\$3,149	0.45	\$2,379	0.45	\$2,921
Other Expense - Interest	0.34	\$2,413	0.34	\$1,823	0.34	\$2,238
Other Expense	0.00	\$0	0.00	\$0	0.00	\$0
<b>Total Other Income (Expenses)</b>	<b>0.11</b>	<b>\$736</b>	<b>0.11</b>	<b>\$556</b>	<b>0.11</b>	<b>\$683</b>
<b>BUDGET - NET OPERATING INCOME</b>	<b>9.52</b>	<b>\$66,833</b>	<b>2.31</b>	<b>\$12,233</b>	<b>7.78</b>	<b>\$50,679</b>

## JOB COSTING/PRICING

Year Displayed: 2007

<u>Job Costing/Pricing Details / Multipliers</u>	<u>Final Budget</u>
<b>Final Budget</b>	
Sales Revenues	\$7,156,527
Budgeted Net Operating Income (Loss) Before Taxes \$ (NPBT \$)	\$398,852
Budgeted Net Operating Income (Loss) Before Taxes % (NPBT %)	5.57
<b>Budget Profit Goal Multipliers:</b>	
Labor Profit Goal Multiplier (includes budgeted profit/loss)	2.4664
MESO Profit Goal Multiplier (includes budgeted profit/loss)	1.6084
<b>Burden Rate Multipliers:</b>	
(Doesn't include other income and expenses)	
Labor Burden Rate Multiplier (Calculates cost of labor)	2.3385
MESO Burden Rate Multiplier (Calculates cost of MESO)	1.5250
<b>Breakeven Analysis:</b>	
Breakeven Sales Volume Dollars (\$)	\$5,921,286

## CASH FLOW—BUDGET

	FINAL	Month 1	Month 2	Month 3	Budget Fiscal Year								
	100.00	7.42	9.22	6.82	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
	2008	2008	2008	2008	8.24	8.61	9.96	8.31	8.99	6.11	9.81	7.41	9.10
	2008	2008	2008	2008	2008	2008	2008	2008	2008	2008	2008	2008	2008
INCOME	\$7,156,527	\$531,014	\$659,832	\$488,075	\$589,698	\$616,177	\$712,790	\$594,707	\$643,372	\$437,264	\$702,055	\$530,299	\$651,244
COSTS OF SALES													
Direct Labor	\$1,663,981	\$123,467	\$153,419	\$113,484	\$137,112	\$143,269	\$165,733	\$138,277	\$149,592	\$101,669	\$163,237	\$123,301	\$151,422
Direct Materials	\$1,614,625	\$119,805	\$148,868	\$110,117	\$133,045	\$139,019	\$160,817	\$134,175	\$145,155	\$98,654	\$158,395	\$119,644	\$146,931
Direct Equipment		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Direct Subcontractor	\$190,467	\$14,133	\$17,561	\$12,990	\$15,694	\$16,399	\$18,971	\$15,828	\$17,123	\$11,638	\$18,685	\$14,114	\$17,332
Direct Other	\$79,444	\$5,895	\$7,325	\$5,418	\$6,546	\$6,840	\$7,913	\$6,602	\$7,142	\$4,854	\$7,793	\$5,887	\$7,229
TOTAL COST OF SALES	\$3,548,517	\$263,300	\$327,173	\$242,009	\$292,397	\$305,527	\$353,434	\$294,882	\$319,012	\$216,815	\$348,110	\$262,946	\$322,914
GROSS PROFIT	\$3,608,010	\$267,714	\$332,659	\$246,066	\$297,301	\$310,650	\$359,356	\$299,825	\$324,360	\$220,449	\$353,945	\$267,353	\$328,330
OPERATING EXPENSES													
Total Variable Overhead Expense	\$1,340,681	\$99,479	\$123,611	\$91,434	\$110,472	\$115,433	\$133,532	\$111,411	\$120,527	\$81,916	\$131,521	\$99,344	\$122,002
Total Fixed Expenses	\$1,875,981	\$156,332	\$156,332	\$156,332	\$156,332	\$156,332	\$156,332	\$156,332	\$156,332	\$156,332	\$156,332	\$156,332	\$156,332
TOTAL OPERATING EXPENSES	\$3,216,662	\$255,811	\$279,943	\$247,766	\$266,804	\$271,765	\$289,864	\$267,743	\$276,859	\$238,248	\$287,853	\$255,676	\$278,334
OPERATING INCOME (LOSS)	\$391,348	\$11,903	\$52,716	(\$1,700)	\$30,497	\$38,885	\$69,492	\$32,082	\$47,501	(\$17,799)	\$66,092	\$11,677	\$49,996
Other Income and Expenses	\$7,503	\$557	\$692	\$512	\$618	\$646	\$747	\$623	\$675	\$458	\$736	\$556	\$683
NPBT (LOSS)	\$398,851	\$12,460	\$53,408	(\$1,188)	\$31,115	\$39,531	\$70,239	\$32,705	\$48,176	(\$17,341)	\$66,828	\$12,233	\$50,679
CASH FLOW PROJECTION													
Beginning Cash Balance		\$63,062	\$0	\$39,566	\$46,020	\$73,268	\$100,252	\$0	\$0	\$34,958	\$129,272	\$169,516	\$177,726
Plus													
Cash Reserves Carried Forward			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Collections (A/R)	77	\$647,884	\$620,452	\$578,543	\$578,796	\$577,385	\$524,822	\$592,937	\$649,028	\$652,557	\$607,360	\$546,469	\$544,445
AVAILABLE CASH		\$710,946	\$620,452	\$618,109	\$624,816	\$650,653	\$625,074	\$592,937	\$649,028	\$687,515	\$736,632	\$715,985	\$722,171
Less Disbursements													
Direct Labor (Payroll)		\$123,467	\$153,419	\$113,484	\$137,112	\$143,269	\$165,733	\$138,277	\$149,592	\$101,669	\$163,237	\$123,301	\$151,422
Direct Material (A/P)	30	\$149,930	\$119,805	\$148,868	\$110,117	\$133,045	\$139,019	\$160,817	\$134,175	\$145,155	\$98,654	\$158,395	\$119,644
Direct Equipment (A/P)	59	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Direct Subcontractors (A/P)	59	\$13,745	\$16,659	\$14,052	\$17,170	\$12,901	\$15,502	\$16,259	\$18,608	\$15,654	\$16,708	\$11,710	\$18,279
Direct Other (A/P)	59	\$5,753	\$6,970	\$5,861	\$7,162	\$5,381	\$6,466	\$6,782	\$7,762	\$6,529	\$6,969	\$4,884	\$7,624
Variable Overhead (A/P)	59	\$95,705	\$116,027	\$98,910	\$120,860	\$90,807	\$109,122	\$114,447	\$130,976	\$110,185	\$117,607	\$82,425	\$128,661
Fixed Overhead (A/P)		\$145,252	\$156,332	\$156,332	\$156,332	\$156,332	\$156,332	\$156,332	\$156,332	\$156,332	\$156,332	\$156,332	\$156,332
Installment Payments - Bank		\$7,693	\$7,693	\$7,693	\$7,693	\$7,693	\$7,693	\$7,693	\$7,693	\$7,693	\$7,693	\$7,693	\$7,693
Installment Payments - Other		\$927	\$927	\$927	\$927	\$927	\$927	\$927	\$927	\$927	\$927	\$927	\$927
Miscellaneous Payments													
Fixed Asset Additions		\$9,000	\$11,700	\$18,000	\$5,100	\$9,000	\$900	\$7,100	\$4,500	\$6,400	\$3,500	\$1,800	\$14,500
Other Asset Additions					\$2,000			\$1,100			\$4,100		
Bonuses/Profit Sharing		\$125,000											
Other/Owner Distributions													
Interest on Credit Line	7.5	\$272	\$1	\$0	\$0	\$0	\$0	\$30	\$77	\$0	\$0	\$0	\$0
Federal Income Taxes	24			\$15,523			\$33,812			\$15,250			\$31,138
State/Province Income Taxes	2.4			\$1,552			\$3,381			\$1,525			\$3,114
TOTAL DISBURSEMENTS		\$676,744	\$589,533	\$581,202	\$564,473	\$559,355	\$638,887	\$609,764	\$610,642	\$567,319	\$575,727	\$547,467	\$639,334

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## CASH FLOW—BUDGET (Continued)

Plus	FINAL	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Depreciation Adjustments	\$91,489	\$7,624	\$7,624	\$7,624	\$7,624	\$7,624	\$7,624	\$7,624	\$7,624	\$7,624	\$7,624	\$7,624	\$7,624
Sale of Assets					\$4,200								
Inventory Reduction													
Other Cash Infusion (Not Loans)													
Direct Materials Discounts Earned	1.00	\$1,499	\$1,198	\$1,489	\$1,101	\$1,330	\$1,390	\$1,608	\$1,342	\$1,452	\$987	\$1,584	\$1,196
INDICATED BALANCE		\$43,325	\$39,741	\$46,020	\$73,268	\$100,252	(\$4,799)	(\$7,595)	\$47,352	\$129,272	\$169,516	\$177,726	\$91,657
Loans/Notes Adjustments													
Loans/Notes to be Obtained													
Loans/Notes to be Repaid													
Cash Reserves													
ENDING CASH BALANCE W/O DRAWS/REPAYS		\$43,325	\$39,741	\$46,020	\$73,268	\$100,252	(\$4,799)	(\$7,595)	\$47,352	\$129,272	\$169,516	\$177,726	\$91,657
Revolving Credit Line Adjustments													
Credit Line Draws - Anticipated		\$0	\$0	\$0	\$0	\$0	\$4,799	\$7,595	\$0	\$0	\$0	\$0	\$0
Credit Line Repayments - Anticipated		\$43,325	\$175	\$0	\$0	\$0	\$0	\$0	\$12,394	\$0	\$0	\$0	\$0
Current Credit Line Balance	\$43,500	\$175	\$0	\$0	\$0	\$0	\$4,799	\$12,394	\$0	\$0	\$0	\$0	\$0
MONTHLY ENDING CASH		\$0	\$39,566	\$46,020	\$73,268	\$100,252	\$0	\$0	\$34,958	\$129,272	\$169,516	\$177,726	\$91,657
<b>CREDIT LINE / CASH NEEDED TO ACHIEVE BUDGET</b>			<b>\$12,394</b>										
<b>ANNUAL INTEREST DOLLARS PAID ON CREDIT LINE:</b>			<b>\$380</b>										
<b>ANNUAL PROFIT INCREASED FROM DISCOUNTING:</b>			<b>\$16,176</b>										
<b>ANNUAL NET PROFIT BEFORE TAXES \$:</b>			<b>\$414,647</b>										
<b>ANNUAL NET PROFIT BEFORE TAXES %:</b>			<b>5.79</b>										
<b>ANNUAL NET PROFIT AFTER TAXES \$:</b>			<b>\$309,352</b>										
<b>ANNUAL NET PROFIT AFTER TAXES %:</b>			<b>4.32</b>										

## Profit Forecast

Fiscal Year	Year 1	Year 2	Year 3	Year 4
% Sales Volume Increase (Decrease) Budgeted:	2%	2%	2%	2%
% Price and/or Cost of Living Increase (Decrease) Budgeted:	1.5%	1.5%	1.5%	1.5%
% Direct Costs Category Increase (Decrease)	-0.98%			
% Variable Costs Category Increase (Decrease)	1.15%			
% Fixed Cost Category Adjustment:	1.36%	3.5%	3.5%	3.5%
<b>BUDGET - Net Operating Income (Loss) Before Tax</b>	<b>\$398,850</b>	<b>\$486,035</b>	<b>\$577,736</b>	<b>\$674,141</b>
<b>INCOME</b>				
<b>Sales</b>				
Total Sales	\$7,156,527	\$7,407,005	\$7,666,251	\$7,934,569
<b>Cost of Goods Sold</b>				
Direct Costs – Labor	\$1,663,981	\$1,697,261	\$1,731,206	\$1,765,830
Direct Costs – Materials	\$1,614,625	\$1,646,918	\$1,679,856	\$1,713,453
Direct Costs – Equipment				
Direct Costs – Subcontractor	\$190,467	\$194,276	\$198,162	\$202,125
Direct Costs – Other	\$79,444	\$81,033	\$82,654	\$84,307
Total Cost of Goods Sold (CGS)	\$3,548,517	\$3,619,487	\$3,691,877	\$3,765,715
<b>GROSS PROFIT</b>	<b>\$3,608,010</b>	<b>\$3,787,518</b>	<b>\$3,974,374</b>	<b>\$4,168,855</b>
<b>LESS OPERATING COSTS</b>				
<b>Variable Costs:</b>				
Advertising & Promotion	\$54,617	\$55,709	\$56,824	\$57,960
Auto & truck Gas, Oil, Repairs	\$144,731	\$147,626	\$150,578	\$153,590
Bad Debt	\$21,199	\$21,623	\$22,055	\$22,497
Bank Charges	\$7,358	\$7,505	\$7,655	\$7,808
Employee Benefits	\$174,936	\$178,435	\$182,003	\$185,643
Freight	\$14,947	\$15,246	\$15,551	\$15,862
Insurance - W.C. Direct Labor	\$64,314	\$65,600	\$66,912	\$68,251
Laundry, Cleaning	\$6,615	\$6,747	\$6,882	\$7,020
License & Permits	\$4,387	\$4,475	\$4,564	\$4,656
Miscellaneous	\$320	\$326	\$333	\$340
Office Supplies	\$44,733	\$45,628	\$46,540	\$47,471
Other	\$6,131	\$6,254	\$6,379	\$6,506
Payroll Taxes (Direct Labor)	\$152,064	\$155,105	\$158,207	\$161,372
Rentals				
Sales Commissions				
Sales Tax Expense				
Shop Supplies & Small Tools	\$43,644	\$44,517	\$45,407	\$46,315
Travel, Lodging & Entertainment	\$1,610	\$1,642	\$1,675	\$1,709
U.P.S./FedEx	\$1,424	\$1,452	\$1,482	\$1,511
Union Benefits/Dues	\$543,542	\$554,413	\$565,501	\$576,811
Warranty Expense	\$54,110	\$55,192	\$56,296	\$57,422
Total Variable Costs	\$1,340,682	\$1,367,496	\$1,394,846	\$1,422,742
<b>Fixed Costs:</b>				
Contributions	\$1,826	\$1,890	\$1,956	\$2,025
Depreciation	\$91,489	\$94,691	\$98,005	\$101,435
Dues & Subscriptions	\$15,650	\$16,198	\$16,765	\$17,351
Insurance - Auto & Liability	\$285,512	\$295,505	\$305,848	\$316,552
Insurance - Group Health	\$12,351	\$12,783	\$13,231	\$13,694
Insurance – Officer	\$6,736	\$6,972	\$7,216	\$7,468
Insurance - WC Office				
Payroll Taxes – Office	\$60,771	\$62,898	\$65,099	\$67,378
Postage, Mailings				
Professional Fees	\$56,044	\$58,006	\$60,036	\$62,137
Property Taxes	\$14,688	\$15,202	\$15,734	\$16,285
Rent	\$54,339	\$56,241	\$58,209	\$60,247
Repairs & Maintenance	\$8,307	\$8,598	\$8,899	\$9,210
Salaries – Owner	\$195,000	\$201,825	\$208,889	\$216,200
Salaries - Office/Shop	\$944,476	\$977,533	\$1,011,746	\$1,047,157
Telephone	\$7,470	\$7,731	\$8,002	\$8,282
Utilities	\$10,500	\$10,868	\$11,248	\$11,642
Total Fixed Costs	\$1,875,981	\$1,941,640	\$2,009,598	\$2,079,934
Total Operating Expense	\$3,216,663	\$3,309,136	\$3,404,443	\$3,502,676
Operating Income (Loss) - Operations Only	\$391,347	\$478,382	\$569,930	\$666,179
<b>Other Income (Expense)</b>				
Other Income	\$32,101	\$32,743	\$33,398	\$34,066
Other Expense – Interest	\$24,598	\$25,090	\$25,592	\$26,104
Other Expense				
Total Other Income (Expenses)	\$7,503	\$7,653	\$7,806	\$7,962
<b>ANNUAL FORECAST - Net Operating Income (Loss) Before Taxes</b>	<b>\$398,850</b>	<b>\$486,035</b>	<b>\$577,736</b>	<b>\$674,141</b>