

sumosum

CALCULATED SUCCESS

11 Lessons to Visioning Your Future

Got a big idea? Need a financial forecast or budget? SumoSum is the fast, easy and fun way to make your concept come to life. With SumoSum, unlimited team members can work collaboratively to create a vision of the future.

A. Start with a Plan (pg. 2): Option to create a 1-page business plan.

1. SumoSum Sign Up (Pg. 5): How to Sign Up, Build a Personal Profile, Create a Project, Build a Project Profile, Add Team Members and Add a Scenario.

2. Global Setup (Pg. 7): How to set Forecast Term, Cash Balance & Interest, Credit Sales, Credit Terms, Employee Benefits, Payroll Taxes, Income Taxes (for-profits & nonprofits) and Annual Dividends.

3. Products (Pg. 10): How to define Price, Sales, Cost of Goods (“COG”), Return Rate and Sales Commissions.

4. Assets (Pg. 13): How to define Fixed Assets, Intangible Assets, Depreciation, Amortization and Salvage Value.

5. Staffing (Pg. 15): How to define Employee Positions, Owner’s Draw and Compensation.

6. Marketing (Pg. 17): How to define Marketing Campaigns.

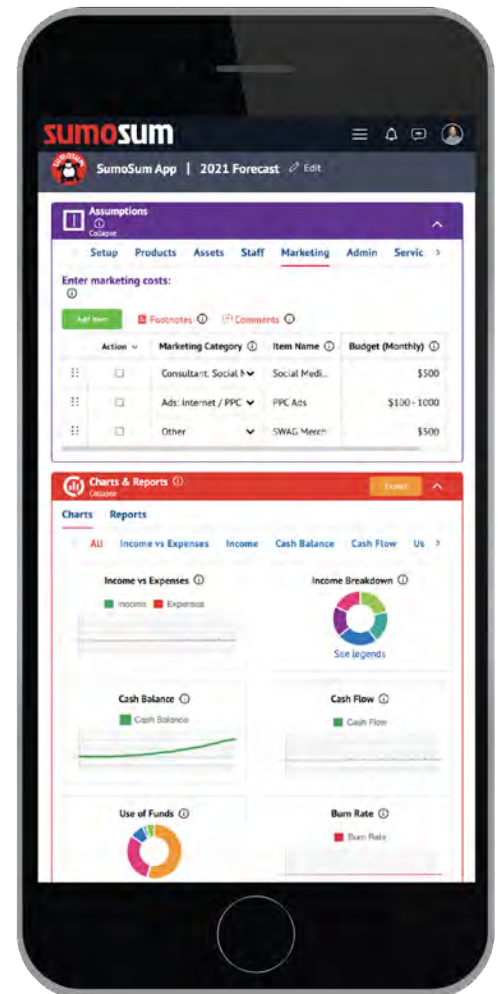
7. Administration (Pg. 18): How to define Administrative Costs.

8. Services (Pg. 19): How to define Expert Services.

9. Funding (Pg. 20): How to define Equity, Loans, Grants and Donations.

10. Charts Interpretation (Pg. 22): How to read Income vs Expenses, Income Breakdown, Cash Balance, Cash Flow, Use of Funds and Burn Rate charts.

11. Reports Interpretation (Pg. 26): How to read Income Statement, Cash Flow & Balance Sheet.



A. Start with a Plan

Great financials start with a focused business concept that you can refer to while creating a forecast. Here's a simple 1-page B-Plan, courtesy [BizzyB.com](https://bizzyb.com), to help your team consider the key themes of business.

About BizzyB

BizzyB is an innovation platform that features a story-based design-thinking methodology and a library of tips, examples and lessons. Teams can use it as a journaling device for maker, hackathon and entrepreneurial project-based learning experiences. Teams can submit projects to win prizes in contests offered on the platform.

5 Essential Themes of Innovation

BizzyB's story-based design thinking method covers five essential themes of innovation:

1. **IDEA:** Problem, solution, timing & mission.
2. **PRODUCT:** Features, benefits, supplies & processes.
3. **STORY:** Keywords, co./product story & promotions.
4. **USERS:** End users, influencers, use cases & desires.
5. **GOALS:** Team, people, planet & profit.

Real-World Leadership Roles

BizzyB provides leadership experiences by mirroring traditional corporate "C-Suite" roles with the essential themes of innovation:

1. **IDEA/CEO** (Chief Executive Officer)
2. **PRODUCT/CTO** (Chief Technology Officer)
3. **STORY/CMO** (Chief Marketing Officer)
4. **USERS/CSO** (Chief Sales Officer)
5. **GOALS/CFO** (Chief Financial Officer)

Pitching: Creating a Buzz with BizzyB

BizzyB deliverables include business plan and pitch deck presentations. Users also enjoy digital portfolios to showcase their work.

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CALCULATED SUCCESS

1-PAGE BUSINESS PLAN
B-Plan format courtesy BizzyB® Innovation Platform - for collaborative B-planning, see bizzyb.com.

Company Name: _____

1 IDEA (CEO): Define the problem you're solving, "kitchening magic" (no food thing) and business model (how you make money): _____

2 PRODUCT (CTO): Define your product's "secret sauce" features, "value proposition" benefits, supply chain and production processes: _____

3 STORY (CMO): Define key search terms, company tag, product story and promotional strategy: _____

4 USERS (CSO): Define target users, purchase influences and the user's "life cycle" experience with your product: _____

5 GOALS (CFO): Define (short/long-term), customer outcomes, planetary sustainability outcomes and profit goals: _____

B-PLAN DEFINITIONS
Canvas topics are defined below. Try the online version at bizzyb.com.

1 IDEA (CEO)
PROBLEM: Define a problem that frames a "pain point" and is galvanizing to a significant audience.
SOLUTION: Define the "underlying magic" or approach behind how your solution alleviates the pain point.
TIMING: Define how your concept is "forward" and will maintain relevance, particularly in economic downturns.
MISSION: Define a "business model", i.e., how you make money and a "vision", i.e., a future state you're trying to create.

2 PRODUCT (CTO)
FEATURES: Define your product's "secret sauce" features that create value for customers.
BENEFITS: Define your product's "value proposition", i.e., measurable and impactful customer benefits.
SUPPLIES: Define essential supplies and resources. Identify their ready availability and cost-effectiveness.
PROCESSES: Define processes necessary to create your product. Ideally you own them as Intellectual Property (IP).

3 STORY (CMO)
KEYWORDS: Define the words or phrases that people might use to search for offerings like yours.
COMPANY STORY: Use keywords to create a company name/description that's engaging, memorable and easy to pass on.
PRODUCT STORY: Use keywords to create a product name/description that's engaging, memorable and easy to pass on.
PROMOTIONS: Define a promotion strategy that's engaging, informative and efficiently gains customers.

4 USERS (CSO)
END USERS: Define the primary users of your product, identifying details that help you locate and understand them.
INFLUENCERS: Define those who affect the selection decision. Identify details to understand them.
USE CASES: Define the user's "life cycle" with your product such as discovery, purchase, returns, use, support and exit.
DESIRES: Define what users want or need from your product as well as their future aspirations and desires.

5 GOALS (CFO)
TEAM: Define measurable impacts and outcomes on your team's satisfaction.
PEOPLE: Define measurable impacts and outcomes on how your company helps customers or others.
PLANETS: Define measurable impacts and outcomes on how your company helps planetary sustainability.
PROFIT: Define your profit goals and what you'll do with profits.

1-PAGE BUSINESS PLAN

B-Plan format courtesy BizzyB. For collaborative story-base design thinking, see BizzyB.com.

Company Name:



CEO: Define the problem you're solving, "underlying magic," on-trend timing and business model (how you make money):



CTO: Define your product's "secret sauce" features, "value proposition" benefits, supply chain and production processes:



CMO: Define key search terms, company story, product story and promotional strategy:



CSO: Define target users, purchase influencers and the user's "life cycle" experience with your product:



CFO: Define team satisfaction, customer outcomes, planetary sustainability outcomes and profit goals:

B-PLAN DEFINITIONS

BizzyB topics are defined below. Try the online version at BizzyB.com.



IDEA (CEO)

PROBLEM: Define a problem that frames a “pain point” and is galvanizing to a significant audience.

SOLUTION: Define the “underlying magic” or approach behind how your solution alleviates the pain point.

TIMING: Define how your concept is “on-trend” and will maintain relevance, particularly in economic downturns.

MISSION: Define a “business model,” i.e., how you make money and a “vision,” i.e., a future state you’re trying to create.



PRODUCT (CTO)

FEATURES: Define your product’s “secret sauce” features that create value for customers.

BENEFITS: Define your product’s “value proposition”, i.e., measurable and impactful customer benefits.

SUPPLIES: Define essential supplies and resources. Ideally they’re readily available and cost-effective.

PROCESSES: Define processes necessary to create your product. Ideally you own them as Intellectual Property (“IP”).



STORY (CMO)

KEYWORDS: Define the words or phrases that people might use to search for offerings like yours.

COMPANY STORY: Use keywords to create a company name/description that’s engaging, memorable and easy to pass on.

PRODUCT STORY: Use keywords to create a product name/description that’s engaging, memorable and easy to pass on.

PROMOTIONS: Define a promotion strategy that’s engaging, informative and efficiently gains customers.



USERS (CSO)

END USERS: Define the primary users of your product, identifying details that help you locate and understand them.

INFLUENCERS: Define those who affect the selection decision, identifying details to understand them.

USE CASE: Define the user’s “life cycle” with your product such as discovery, purchase, returns, use, support and exit.

DESIRES: Define what users want or need from your product as well as their future aspirations and desires.



GOALS (CFO)

TEAM: Define measurable impacts and outcomes on your team’s satisfaction.

PEOPLE: Define measurable impacts and outcomes on how your company helps customers or others.

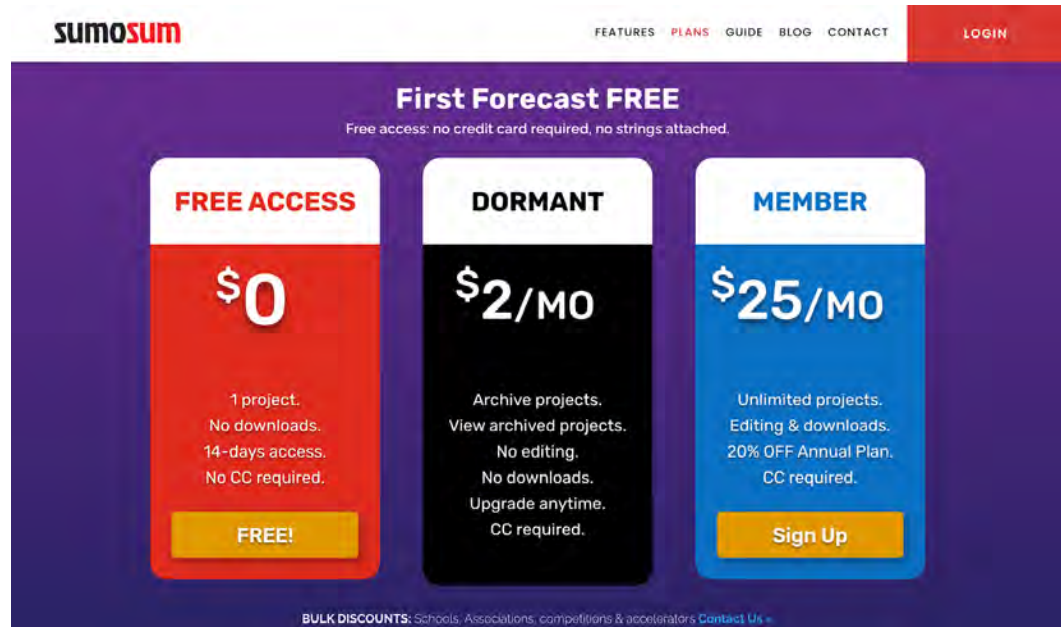
PLANET: Define measurable impacts and outcomes on how your company helps planetary sustainability.

PROFIT: Define your profit goals and what you’ll do with profits.

Lesson 1: Getting Started

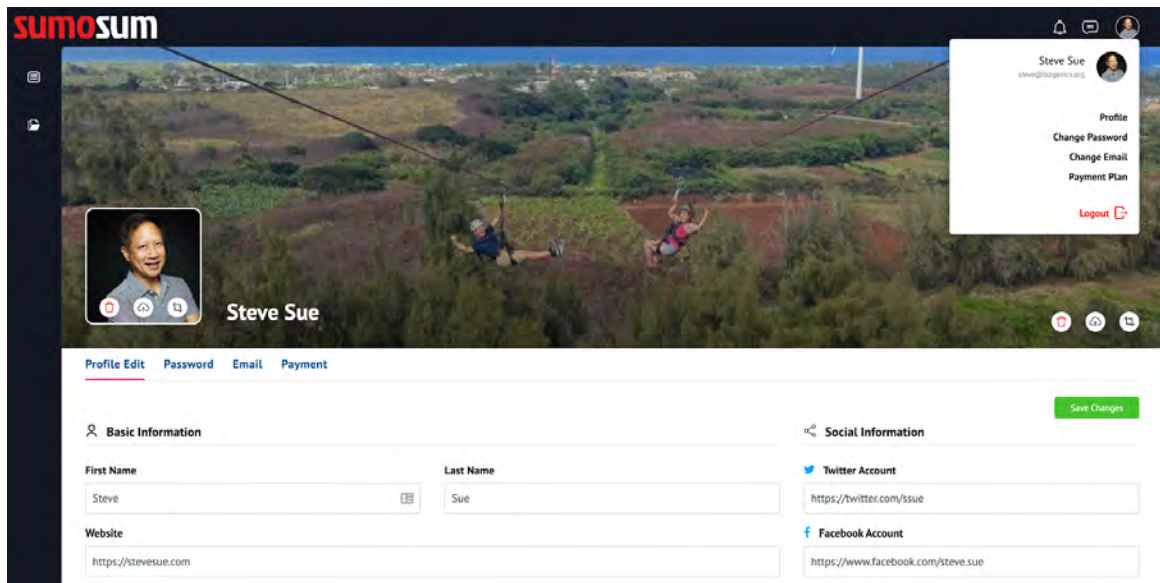
Visit SumoSum.com to open a free account, start a project and invite team members. Follow these instructions:

1. **Sign Up:** Sumosum offers a Free 14-Day Access, Monthly Membership and a Dormant Membership to save on membership fees during periods of inactivity.
 - a. **Visit SumoSum.com** to see the “Plans” page.

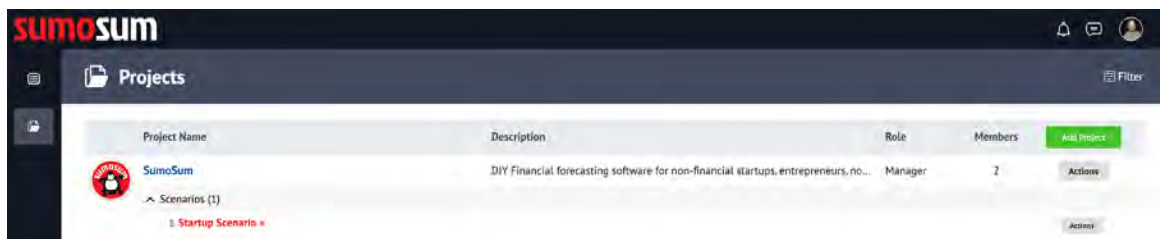


- b. **Select a Plan:** New users can choose a free 14-Day or a Monthly Plan.
 - c. **Create an Account:** Enter your Name, Email and preferred Password. If you select the Free Access Plan, no credit card information is required. If you select the Monthly Plan, enter credit card payment information. A notification will direct you to check your email to activate your account. The email should arrive in less than a minute.
 - d. **Visit Your Email:** Find the SumoSum Activation Email and click the “Activate” button to activate your account. If you cannot find the email, look in your email’s Spam and Junk folders. For any sign up issues, contact us via the SumoSum “Contact” form.
 - e. **Login at SumoSum.com:** Use your email and new password. If you can’t login, enter your email in the “Forgot Password?” function to reset your password.
2. **Build Your Profile:** Click on the avatar image in the upper right to open a dropdown, then click “Profile.” A personal settings page will open. SumoSum is a multi-user platform, so

it's ideal to *upload a picture of yourself in the avatar picture area.*



3. **Create a Project:** Click on the Projects icon in the left column to open your Projects Dashboard. Create a new project by clicking the green “Add Project” button. You will be asked to name your project and name the first scenario. Projects can have multiple scenarios which are alternative forecasts based on different assumptions.



- a. **Build Project Profile:** Click the project’s Name to open the project page. Click on the “Settings” tab. *Upload a project logo in the avatar picture area so you can easily identify your projects. Other information is optional.*
- b. **Add Team Members:** Invite team members whether current SumoSum members or not. Existing SumoSum members will be immediately connected to your project. Non-members will receive an email invitation to sign up for SumoSum to become part of your team. Click the project’s Name to open the Project Page. From the Project Page, click on the “Members” tab. *Click on the green “Invite Member” button, add an invitee's email and click “Send Invite.”*
- c. **Model Scenarios:** Open a Project Scenario by visiting the Projects Dashboard listing or through a Project Page “Forecasts” tab listing. *Click a scenario name to access the scenario’s modeling page.*
- d. **Add a Scenario:** Create additional scenarios by visiting your Project Dashboard or a Project Page. *Find the green “Add Scenario” or open the grey “Actions” dropdown to select “Clone Scenario.”*

Lesson 2: Project Setup

Log into SumoSum.com and visit your Projects Dashboard to create a Project Scenario. You will land in the scenario's work area known as "Assumptions" with the "Setup" tab open. You also have the option to open "Charts & Reports" anytime to see your concept come to life as you enter assumptions.

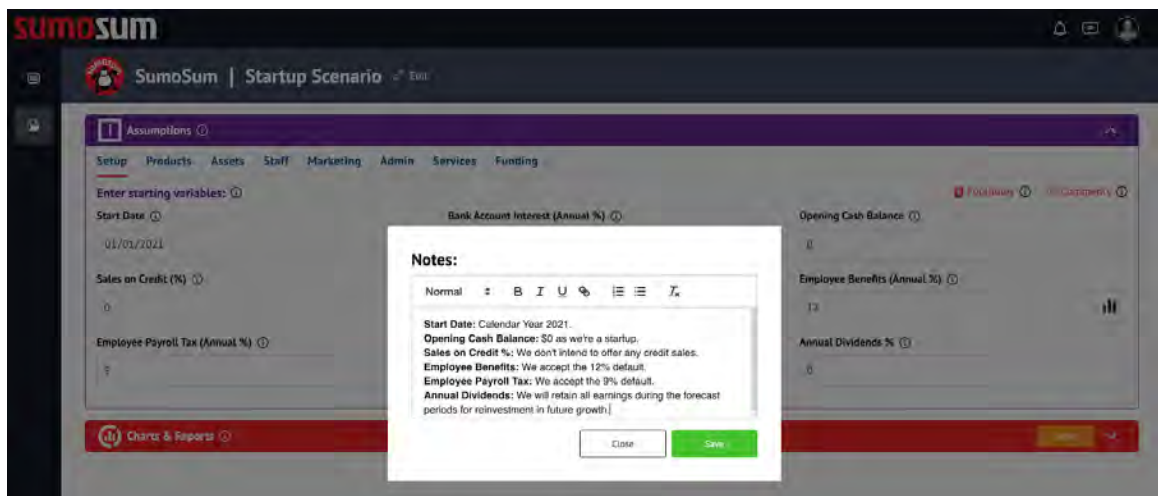
The screenshot displays the 'Assumptions' setup screen in SumoSum. The interface is organized into a grid of input fields for various financial assumptions. The 'Setup' tab is active, and the 'Charts & Reports' button is visible at the bottom. The fields and their values are as follows:

| Field | Value |
|----------------------------------|------------|
| Start Date | 08/19/2021 |
| Bank Account Interest (Annual %) | 0.5 |
| Opening Cash Balance | 0 |
| Sales on Credit (%) | 0 |
| Credit Terms | Upon Sale |
| Employee Benefits (Annual %) | 12 |
| Employee Payroll Tax (Annual %) | 7 |
| Income Tax (Annual %) | 55 |
| Annual Dividends % | 0 |

Specify the following:

1. **Start Date:** Financial forecasts cover a period of time that begin with a start date. SumoSum adds a default start date that's the same as the day you open a new project. **Type in a custom start date or leave the default date.**
2. **Bank Account Interest:** Most businesses keep excess cash in a bank account to earn interest. SumoSum includes interest income in Reports. A common interest rate is included as a default. **Type in a custom interest rate or leave the default rate.**
3. **Opening Cash Balance:** This field is for an on-going project with existing funds on account. For investment cash infusions, visit the Funding tab to add cash from equity exchanges, loans, grants and donations. **If an on-going project has existing funds, type in the balance. If your project is new, leave the opening balance as zero.**
4. **Sales on Credit %:** When a product is sold on credit, the buyer receives it first and pays for it later. Businesses typically offer credit sales to build sales quickly and/or to reward loyal customers. Any percentage of sales not specified as credit sales will be billed as due upon sale. If you intend to allow buyers to pay on credit terms, **estimate the overall percentage of sales that will be subject to credit terms. If you don't allow purchases on credit, leave the default as zero.**
5. **Credit Terms:** If you allow buyers to pay on credit, **select a 30-, 60- or 90-day payment term or if you require buyers to pay immediately, leave the default as due "Upon Sale."**
6. **Employee Benefits (Annual %):** Employee benefits can include unemployment and workers compensation insurance, health care, dental coverage and retirement contributions. Coverage can vary as employers can elect to provide varying levels of benefits. **Estimate employee benefits as a percentage of annual employee compensation or leave the default percentage.**

7. **Employer Payroll Tax (Annual %):** Employee payroll taxes are costs that governments impose on employee payroll expenses including employer tax contributions and unemployment insurance. This can vary by location. **Estimate employer payroll taxes as a percentage of annual employee compensation or leave the default percentage.**
8. **Income Tax (Annual %):** Taxes are costs that governments impose on the income generated by a business or individual. Taxes are calculated as a percentage of profit (income minus expenses). In general, the more you make, the more tax you pay. Part of an accountant's role is to characterize income and expenses to minimize taxes. There are also many government incentives like investing in energy-efficient equipment that offer lowered taxes. Further, nonprofit organizations may pay little or no income tax. Taxes can be highly variable thus tax planning experts should be consulted for advice. **Estimate income tax as a percentage of annual profit or leave the default percentage.**
9. **Annual Dividends %:** Dividends are payments a company makes to share profits with its stockholders. Not all companies pay dividends, especially small companies that often keep profits as "retained earnings" to re-invest to grow the company. **If you decide to pay dividends, define a percentage of annual profits paid to shareholders each year.**
10. **Footnotes:** A key feature in SumoSum is "Footnotes" where you can justify your assumptions. Footnotes are automatically added to SumoSum Financial Reports. **Write notes that support your assumptions.**



11. **Comments:** A key feature in SumoSum is "Comments" where you can brainstorm with team members and advisors. Each tab section has a Comment channel for topic discussions. Access Comment channels within each tab section by clicking the

“Comments” link. *Note a comment to teammates to get a discussion going.*

The screenshot displays the SumoSum 'Assumptions' page for a 'Startup Scenario'. The page is divided into a main content area and a right-hand sidebar for comments.

Main Content Area:

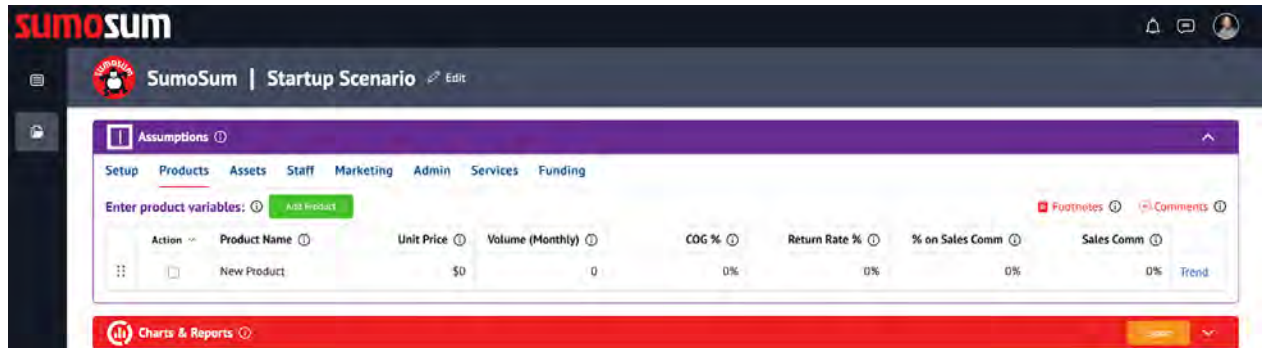
- Assumptions** (dropdown menu)
- Navigation tabs: Setup, Products, Assets, Staff, Marketing, Admin, Services, Funding
- Enter starting variables:**
- Start Date:** 01/01/2021
- Bank Account Interest (Annual %):** 0.5
- Opening Ca:** 0
- Sales on Credit (%):** 0
- Credit Terms:** Open Sale
- Employee B:** 12
- Employee Payroll Tax (Annual %):** 9
- Income Tax (Annual %):** 15
- Annual Divi:** 0
- Charts & Reports** (dropdown menu)

Comments Sidebar:

- Setup Comments** (dropdown menu)
- Hide** (button)
- Comment 1:** "Let's try the stock program again... maybe we should dividend in year 3 on?"
- Steve Sue:** "Hey guys, this section is looking good. Perhaps we should increase the employee benefits a couple points to ensure that we can hire the best."

Lesson 3: Products

The SumoSum “Products” section takes into account both products and services. This section is your income and expense section, so be sure to carefully consider all the ways you intend to make and spend money. Log into SumoSum.com, visit a Project Scenario and click the “Products” tab.

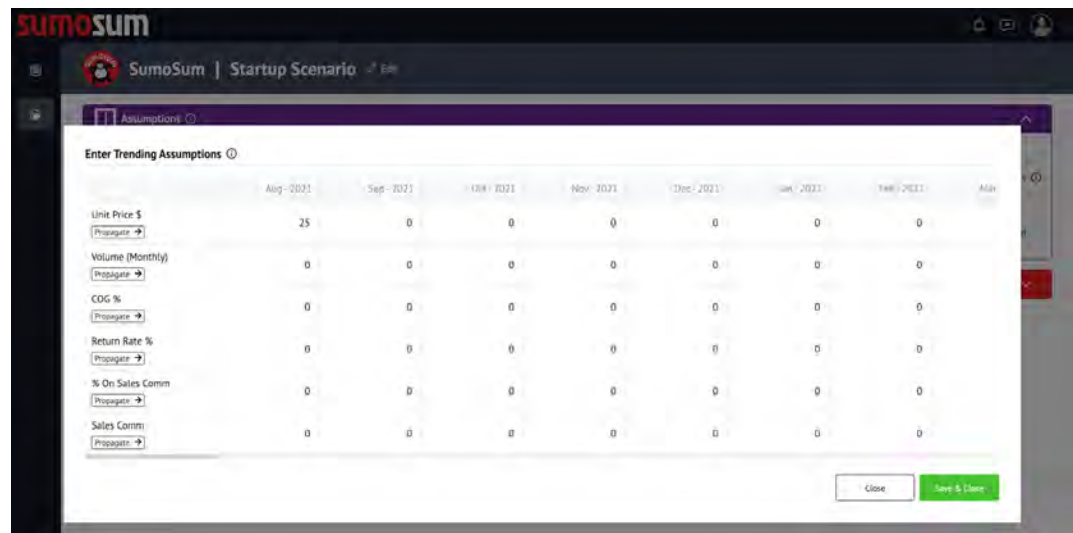


Specify the following:

1. **Add a Product:** Add a new product or service by clicking the green “Add Product” button.
 - a. **Product Name:** Name a specific product. To organize sets of products by lines, create a naming convention like, “Sauces: BBQ.” Note that you can reorder line items by click/dragging lines from the far left six dot ordering icon. Create short names so your reports are easy to read. **Click the the default “New Product” title to edit.**
 - b. **Unit Price:** Enter a sales price. For example, if you’re a manufacturer, enter your wholesale price. If you sell at both wholesale and retail prices, create a separate line item for each. **Click on the default “\$0” to enter a Sales Price.**
 - c. **Volume (Monthly):** Estimate how many units will be sold on a monthly basis. To define monthly sales that vary, see “Trend” below. **Enter a Monthly Sales Volume.**
 - d. **COG %:** Cost of Goods Sold (“COGs”) is the amount of money required to make a product. This includes materials, labor and shipping (including shipping is referred to as a “landed” cost). COGs do not include equipment, facilities and other overhead costs. COGs are represented as a percentage of sales price. Seasoned business people know healthy ranges for COG percentages for their industry. Search online for your industry’s healthy COG percentage range. If you have a list of costs that make up COGs, list this information in the “Footnotes” section. **Enter a COG Percentage.**
 - e. **Return Rate %:** Product returns vary among industries. They are expressed as a percentage of sales. You can also use this variable to include losses from other revenue reductions like theft. **Enter a Return Rate percentage.**
 - f. **% on Sales Comm:** A sales commission is a percentage of a sale that a sales representative earns. If you offer sales commissions, estimate the percentage of

sales that will be subject to sales commissions. **Enter a percentage of sales subject to sales commission.**

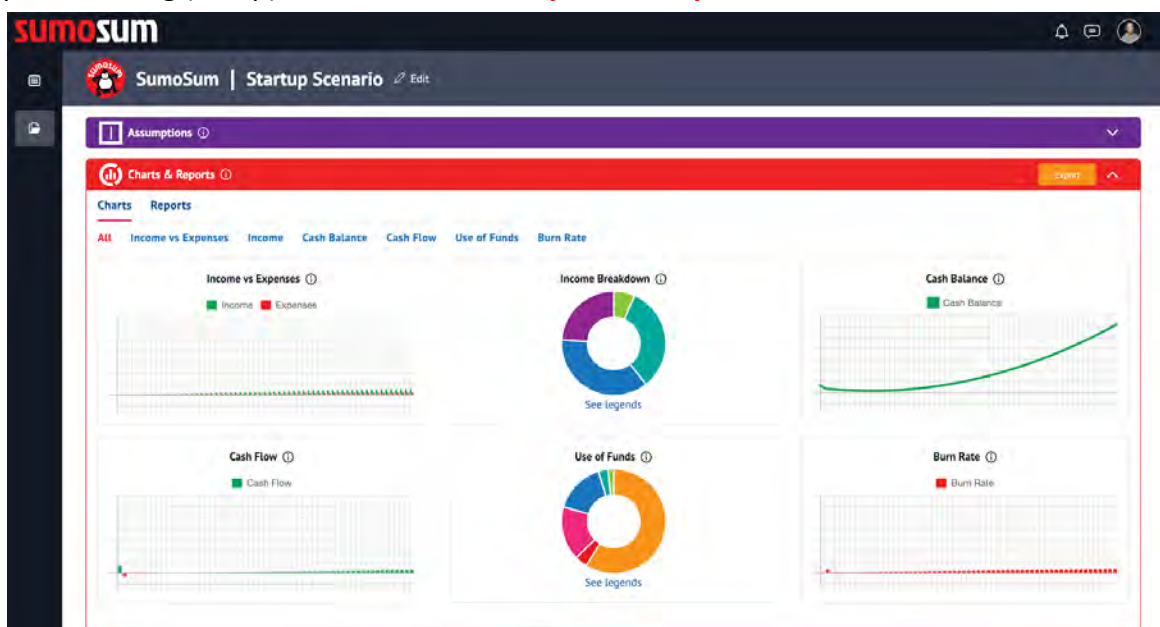
- g. **Sales Comm:** If you offer sales commissions, define the commission percentage. If you offer variable commission levels, create separate product line items for each. **Enter sales commission percentage rate.**
- h. **Trend:** All numbers can be customized by month. Customizing is common for seasonal businesses like retail where sales can be much heavier in holiday seasons and life events. Click “Trend” at the end of any line to open the monthly customizer. In the popup, “Propagate” buttons offer various trending shortcuts. These save you time and ensure greater accuracy.



Consider using these shortcut formulas:

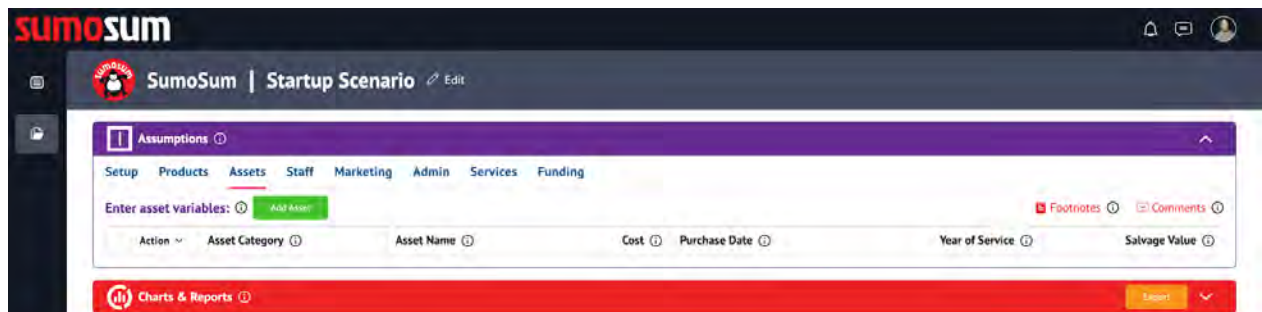
- i. **Same Monthly Variable:** Use this shortcut to make every month the same starting from a selected date. This is used to create “Step-Up Models.” For example, select the start date and use this feature to make all months a single variable such as 100 units volume. Then go to each successive year’s anniversary date to specify a monthly variable that “steps up” to a higher level for that month and later. Repeat this routine on each future anniversary to continue the step up. **If you use this shortcut, define a number (aka “Global Variable”) and a start month.**
- ii. **Percentage Change:** Use this shortcut to add a growth percentage that compounds (i.e., increases) each month from a selected date. This option is often used to grow over time. **If you use this shortcut, define a Monthly Change percentage and a start month.**
- iii. **Recurring Sales + Percentage Changes:** Use this shortcut to use sales from the prior month plus a growth percentage. This option is often used by membership-based businesses that retain members and continually add new members. **If you use this shortcut, define a monthly Ramp Up percentage and a start month.**

- iv. **Seasonal Pattern + Annual Change:** Use this shortcut to replicate an annual pattern in future years with an option to include an annual growth percentage change across the previous year's pattern. For example, a retail business can model annual sales (typically larger sales during holiday seasons), then replicate the cycle over multiple years with an annual growth rate. *If you use this shortcut, model an annual cycle, define an Annual Change percentage, a start month and an end month.*
2. **Footnotes:** Make sure to write "Footnotes" that explain and justify your assumptions. Footnotes are automatically added to SumoSum Financial Reports. *Write notes that support your assumptions.*
3. **Comments:** Discuss topics with team members via "Comments" channels. *Collaborate with Comments.*
4. **Positive Cash Balance:** Open the red-colored "Charts & Reports" section to see how your numbers are shaping up. The Cash Balance graph should be positive for all months of your forecast. Without a positive Cash Balance, you will not be able to pay for expenses and thus risk failure. Key ways to improve Cash Balance include increasing Product income (increase Unit Price or Sales Volume) or decreasing expenses (Product COGs, Return Rate or Sales Commission). You can also reduce expenses in other categories (Setup, Assets, Staff, Marketing, Admin and Services), add cash in the Funding section or reduce Dividend profit sharing (Setup). *Review Charts & Reports to improve Cash Balance.*



Lesson 4: Assets

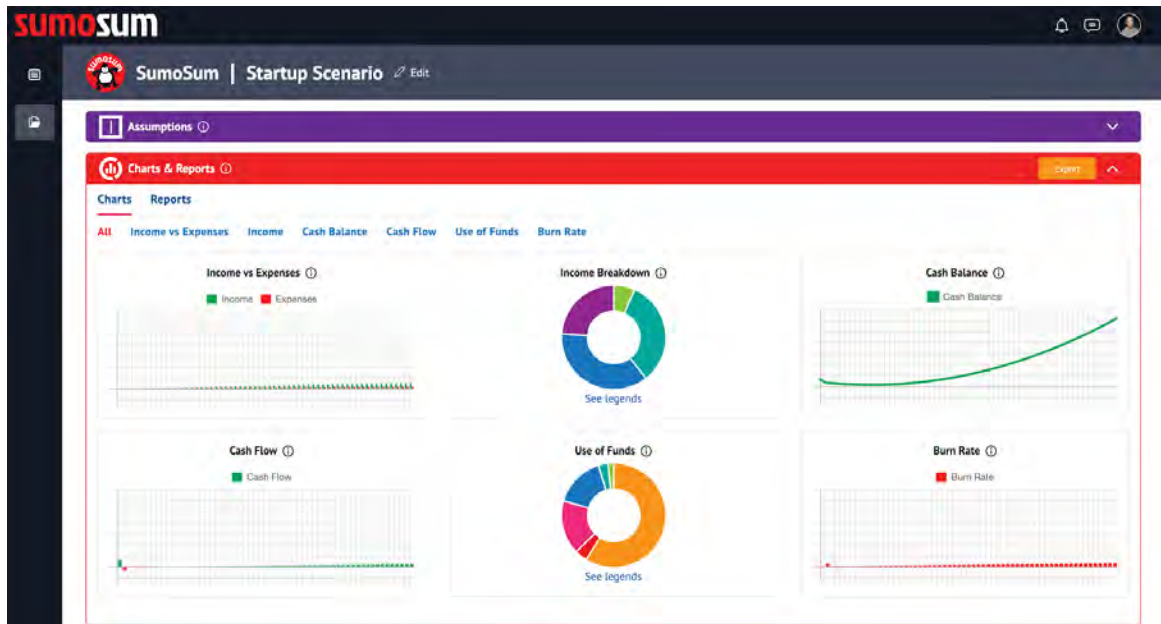
Assets are large purchases (at least \$5,000USD) for items with at least one year of use such as facilities, equipment, computers, telecommunications, intellectual property, land and other items. Small purchases (under \$5,000USD) should be budgeted in the “Admin” costs section. Tangible assets (Facilities, Equipment, Computers and Telecommunications) are “depreciated” which means that the cost of wear and tear on the asset is spread over time. Intangible assets (Patents, Trademarks and Copyrights) are “amortized” which means that the cost of the asset’s life is spread over time. Land is considered a “Non-depreciable” asset which means it remains as an asset to the company without the cost being spread out over time as depreciation or amortization expense. Log into SumoSum.com, visit a Project Scenario and click the “Assets” tab.



Specify the following:

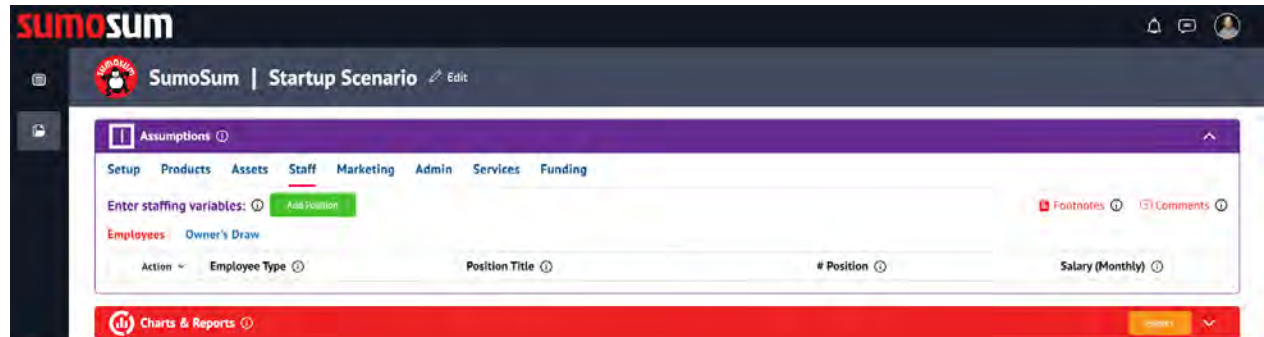
1. **Add an Asset:** Add a new asset by clicking the green “Add Asset” button. A new asset line will appear in the listing.
 - a. **Asset Category:** Select an asset category. *Click on the default “Facilities: Buildings” Asset Category to select from a dropdown list.*
 - b. **Asset Name:** Enter any asset name. *Click on the default “New Item” to edit Asset Name.*
 - c. **Cost:** Enter the purchase cost for the asset. *Click on the default “\$0” to edit Cost.*
 - d. **Purchase Date:** Enter the purchase date for the asset. *Click on the date to edit Purchase Date.*
 - e. **Years of Service:** Enter the estimated number of years that the asset will be useful. Costs for wear and tear (depreciation) will be recognized as monthly expenses in SumoSum charts and Financial Reports. *Click on the default “1” to edit Years of Service.*
 - f. **Salvage Value:** Estimate the residual value of the asset. This number will be used along with the purchase cost and Years of Service to determine monthly depreciation expenses. The Salvage Value will also be assumed to be sold at the end of the Years of Service term, with the sales price added to Cash on Hand at the end of the Years of Service term. *Click on the default “\$0” to edit Salvage Value.*
2. **Footnotes:** Make sure to write “Footnotes” that explain and justify your assumptions. Footnotes are automatically added to SumoSum Financial Reports. *Write notes that support your assumptions.*

3. **Comments:** Discuss topics with team members via “Comments” channels. *Collaborate with Comments.*
4. **Positive Cash Balance:** Open “Charts & Reports” to review the Cash Balance graph. It should be positive for all months of your forecast. If not, adjust numbers to increase income (Product section), decrease expenses (Setup, Product, Assets, Staff, Marketing, Admin and Services sections), add cash (Funding section) or reduce Dividend profit sharing (Setup). *Review Charts & Reports to improve Cash Balance.*



Lesson 5: Staff

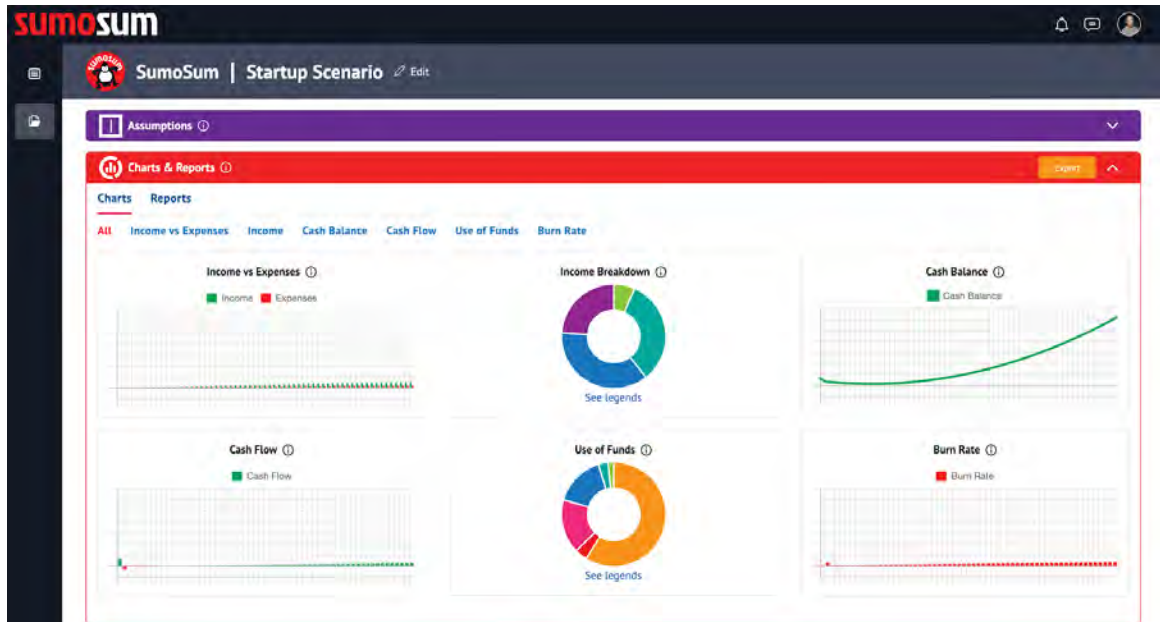
Staff includes employees and owners. Employees work for monthly salaries and benefits such as health care and retirement. Owners can work as employees or receive an Owner's Draw to reduce payroll taxes and employee benefit costs. Log into SumoSum.com, visit a Project Scenario and click the "Staff" tab.



Specify the following:

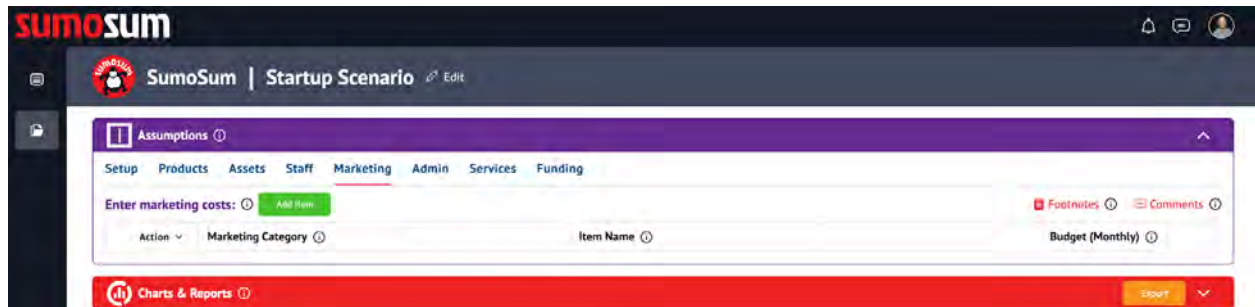
- Add Employees:** Add an employee by clicking the green "Add Position" button. A new employee line will appear in the listing.
 - Employee Type:** Select a position type. *Click on the default "Management" Employee Type to select from a dropdown list.*
 - Position Title:** Enter a name. *Click on "New Position" to edit Position Title.*
 - # Positions:** Enter number of positions. *Click on the default "1" to edit # Positions.*
 - Salary (Monthly):** Enter a monthly salary. *Click on the default "\$0" to edit Monthly Salary.*
 - Trend Variables:** All staff numbers can be customized by month. Click "Trend" at the end of any line to open a monthly customizer. In the popup, "Propagate" buttons offer various trending shortcuts which are explained in Lesson 3, Product Numbers, above. *Click "Trend" to use trending shortcuts.*
- Add Owner's Draw:** Add an owner by clicking the "Owner's Draw" tab and clicking the green "Add Item" button. A new owner line will appear in the listing.
 - Owner:** Enter a name. *Click on the default "New Owner" to edit the name.*
 - Draw (Monthly):** Enter a monthly owner's draw. *Click on the default "\$0" to edit Monthly Draw.*
 - Trend Monthly Draw:** Owner's monthly draw can be customized by month. Click "Trend" at the end of any line to open a monthly customizer. In the popup, a "Propagate" button offers trending shortcuts which are explained in Lesson 3, Product Numbers, above. *Click "Trend" to use trending shortcuts.*
- Footnotes:** Make sure to write "Footnotes" that explain and justify your assumptions. Footnotes are automatically added to SumoSum Financial Reports. *Write notes that support your assumptions.*
- Comments:** Discuss topics with team members via "Comments" channels. *Collaborate with Comments.*

5. **Positive Cash Balance:** Open “Charts & Reports” to review the Cash Balance graph. It should be positive for all months of your forecast. If not, adjust numbers to increase income (Product section), decrease expenses (Setup, Product, Assets, Staff, Marketing, Admin and Services sections), add cash (Funding section) or reduce Dividend profit sharing (Setup). ***Review Charts & Reports to improve Cash Balance.***



Lesson 6: Marketing

Marketing costs include promotional expenses like Consultants, Print, Web, Ads, Travel and Entertainment. Note that marketing costs for travel & entertainment can be defined here or alternatively in the “Admin” tab. Log into SumoSum.com, visit a Project Scenario and click the “Marketing” tab.

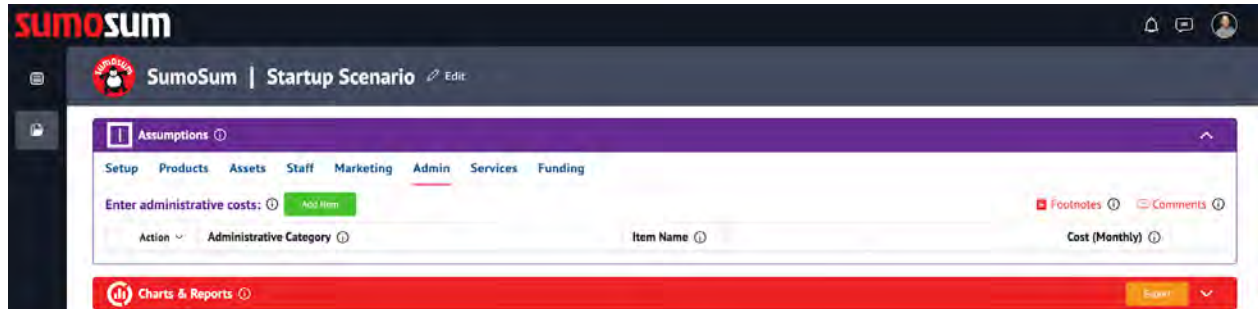


Specify the following:

1. **Add Marketing Cost:** Add a marketing cost by clicking the green “Add Item” button. A new marketing line will appear in the listing.
 - a. **Marketing Category:** Select a category. *Click on the default “Consultant: Ad Agency” to select from a dropdown list.*
 - b. **Item Name:** Enter a name. *Click on the default “New Item” to edit Item Name.*
 - c. **Budget (Monthly):** Enter a budget. *Click on the default “\$0” to edit the Monthly Budget.*
 - d. **Trend Variables:** All item numbers can be customized by month. Click “Trend” at the end of any line to open a monthly customizer. In the popup, “Propagate” buttons offer various trending shortcuts which are explained in Lesson 3, Product Numbers, above. *Click “Trend” to use trending shortcuts.*
2. **Footnotes:** Make sure to write “Footnotes” that explain and justify your assumptions. Footnotes are automatically added to SumoSum Financial Reports. *Write notes that support your assumptions.*
3. **Comments:** Discuss topics with team members via “Comments” channels. *Collaborate with Comments.*
4. **Positive Cash Balance:** Open “Charts & Reports” to review the Cash Balance graph. It should be positive for all months of your forecast. If not, adjust numbers to increase income (Product section), decrease expenses (Setup, Product, Assets, Staff, Marketing, Admin and Services sections), add cash (Funding section) or reduce Dividend profit sharing (Setup). *Review Charts & Reports to improve Cash Balance.*

Lesson 7: Administration

Administrative costs are overhead expenses like Rent and Property Services or small purchases (under \$5,000USD) for Equipment, Maintenance, Data Services, Insurance, Supplies, Postage, Travel and Entertainment. Note that the “Assets” section is more appropriate for large purchases (at least \$5,000USD) such as facilities, equipment, computers, telecommunications, intellectual property (Patents, Trademarks and Copyrights), land and other long-term items (useful for more than one year as the costs of Assets are depreciated or amortized to spread the cost of multiple years). Log into SumoSum.com, visit a Project Scenario and click the “Admin” tab.

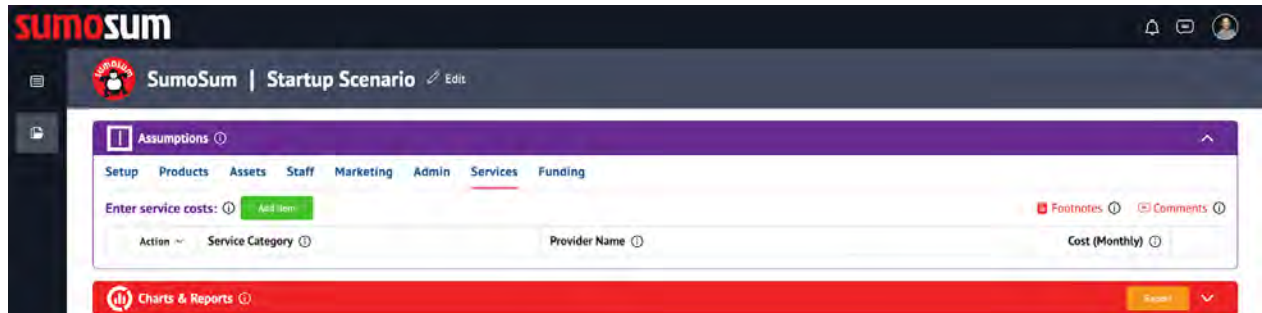


Specify the following:

1. **Add a Cost:** Add an administrative cost by clicking the green “Add Item” button. A new cost line will appear in the listing.
 - a. **Administrative Category:** Select a category. *Click on the default “Rent/Lease” to select from a dropdown list.*
 - b. **Item Name:** Enter a name. *Click on the default “New Item” to edit Item Name.*
 - c. **Cost (Monthly):** Enter a cost. *Click on the default “\$0” to edit the Monthly Cost.*
 - d. **Trend Variables:** All item numbers can be customized by month. Click “Trend” at the end of any line to open a monthly customizer. In the popup, “Propagate” buttons offer various trending shortcuts which are explained in Lesson 3, Product Numbers, above. *Click “Trend” to use trending shortcuts.*
2. **Footnotes:** Make sure to write “Footnotes” that explain and justify your assumptions. Footnotes are automatically added to SumoSum Financial Reports. *Write notes that support your assumptions.*
3. **Comments:** Discuss topics with team members via “Comments” channels. *Collaborate with Comments.*
4. **Positive Cash Balance:** Open “Charts & Reports” to review the Cash Balance graph. It should be positive for all months of your forecast. If not, adjust numbers to increase income (Product section), decrease expenses (Setup, Product, Assets, Staff, Marketing, Admin and Services sections), add cash (Funding section) or reduce Dividend profit sharing (Setup). *Review Charts & Reports to improve Cash Balance.*

Lesson 8: Services

Service costs include Legal, Accounting, Financial Consulting, Business Consulting, Information Technology, Research & Development and Testing. Log into SumoSum.com, visit a Project Scenario and click the “Services” tab.

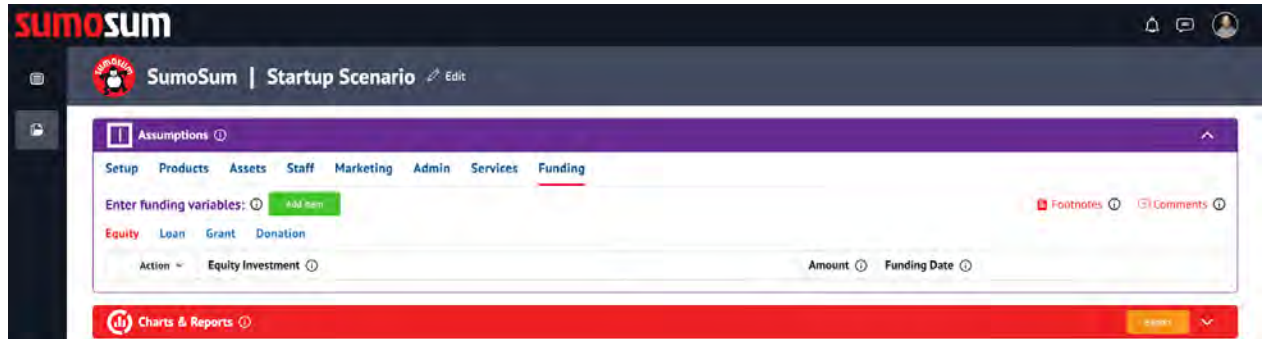


Specify the following:

1. **Add Service Cost:** Add a service cost by clicking the green “Add Item” button. A new cost line will appear in the listing.
 - a. **Service Category:** Select a category. *Click on the default “Legal” to select from a dropdown list.*
 - b. **Provider Name:** Enter a name. *Click on the default “Consultant Name” to edit Provider Name.*
 - c. **Cost (Monthly):** Enter a cost. *Click on the default “\$0” to edit the Monthly Cost.*
 - d. **Trend Variables:** All item numbers can be customized by month. Click “Trend” at the end of any line to open a monthly customizer. In the popup, “Propagate” buttons offer various trending shortcuts which are explained in Lesson 3, Product Numbers, above. *Click “Trend” to use trending shortcuts.*
2. **Footnotes:** Make sure to write “Footnotes” that explain and justify your assumptions. Footnotes are automatically added to SumoSum Financial Reports. *Write notes that support your assumptions.*
3. **Comments:** Discuss topics with team members via “Comments” channels. *Collaborate with Comments.*
4. **Positive Cash Balance:** Open “Charts & Reports” to review the Cash Balance graph. It should be positive for all months of your forecast. If not, adjust numbers to increase income (Product section), decrease expenses (Setup, Product, Assets, Staff, Marketing, Admin and Services sections), add cash (Funding section) or reduce Dividend profit sharing (Setup). *Review Charts & Reports to improve Cash Balance.*

Lesson 9: Funding

Funding resources can be provided by Equity (cash infusion in exchange for ownership) or Loan (cash infusion that is paid back at a later date with interest). Nonprofit organizations can also be funded through Grants (funding given to an organization typically by a foundation, corporation, or government agency) or Donations (funding given by individuals). Log into SumoSum.com, visit a project scenario and click the “Funding” tab.



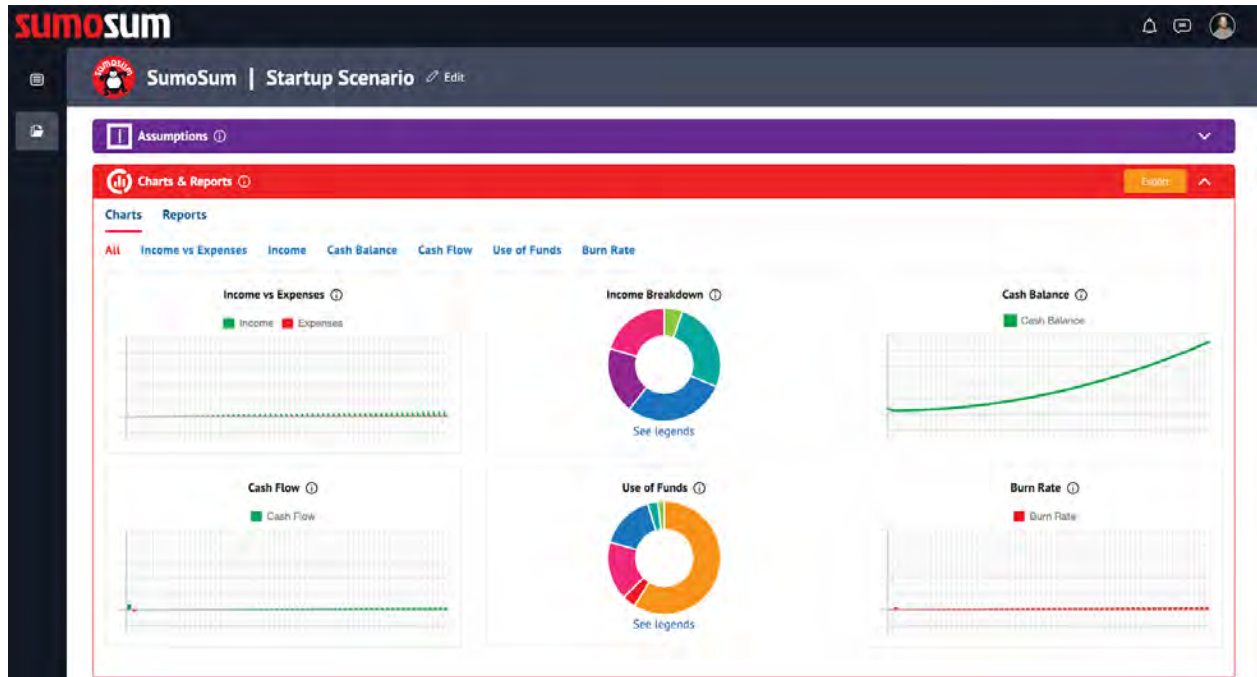
Specify the following:

- Add Equity Funding (For-Profits):** Click the “Equity” tab then click the green “Add Item” button. A new funding line will appear in the listing.
 - Equity Investment:** Enter the investor’s name. *Click on the default “Investor Name” to edit the name.*
 - Amount:** Enter a cash infusion amount. If infusions are done over time with multiple payments, create a separate line for each. *Click on the default “\$0” to edit the Infusion Amount.*
 - Funding Date:** Enter the date of infusion. *Click on the default date to edit.*
- Add Loan Funding (For-Profits & Nonprofits):** Click the “Loan” tab then click the green “Add Item” button. A new funding line will appear in the listing.
 - Loan Name:** Enter a loan name. *Click on the default “Loan Name” to edit the name.*
 - Amount:** Enter the infusion amount. If infusions are done over time with multiple payments, create a separate line for each. *Click on the default “\$0” to edit the Infusion Amount.*
 - Funding Date:** Enter the date of infusion. *Click on the default date to edit.*
 - Payback Start Date:** Enter the beginning date when the loan will start being paid back. *Click on the default “Monthly” to edit.*
 - Payback Interval:** Select a payback interval from the drop-down choices of Monthly, Quarterly or Annual. *Click on the default date to edit.*
 - Pay Period (years):** Enter the number of years that the loan will be paid. *Click on the default “12” to edit.*
 - Annual Interest %:** Enter the loan’s interest rate as a percentage of the loan amount to be paid (“principal”). *Click on the default “0%” to edit.*

Lesson 10: Charts Interpretation

SumoSum provides visual insight through Financial Charts. Tips to Interpret charts are offered below. Log into SumoSum.com, visit “Charts & Reports” and click the “Charts” tab to view 6 key charts:

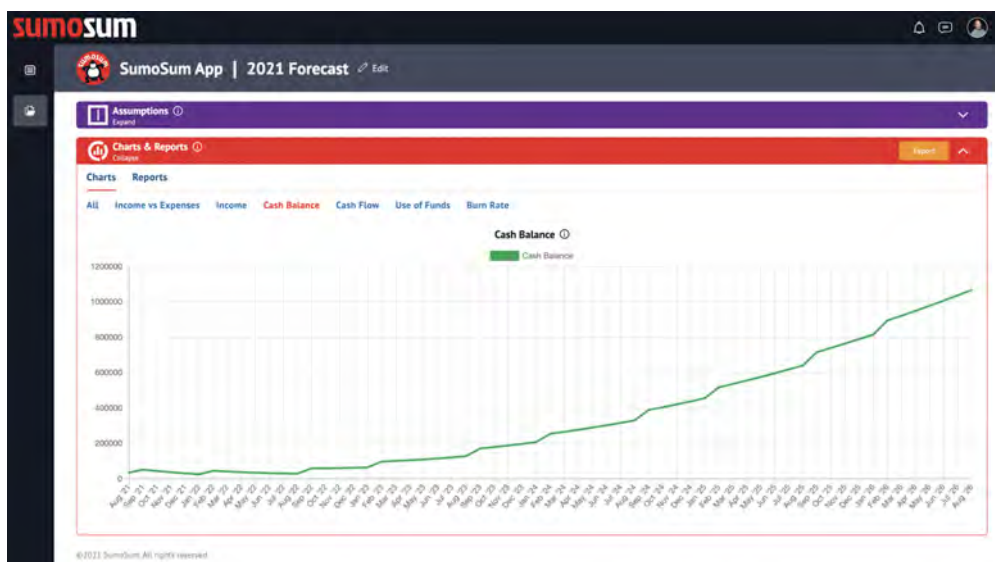
Summary View



Cash Balance

This chart shows an aggregated balance of monthly cash on hand. The goal of this chart is to show that there is adequate cash to pay for costs. Questions to consider:

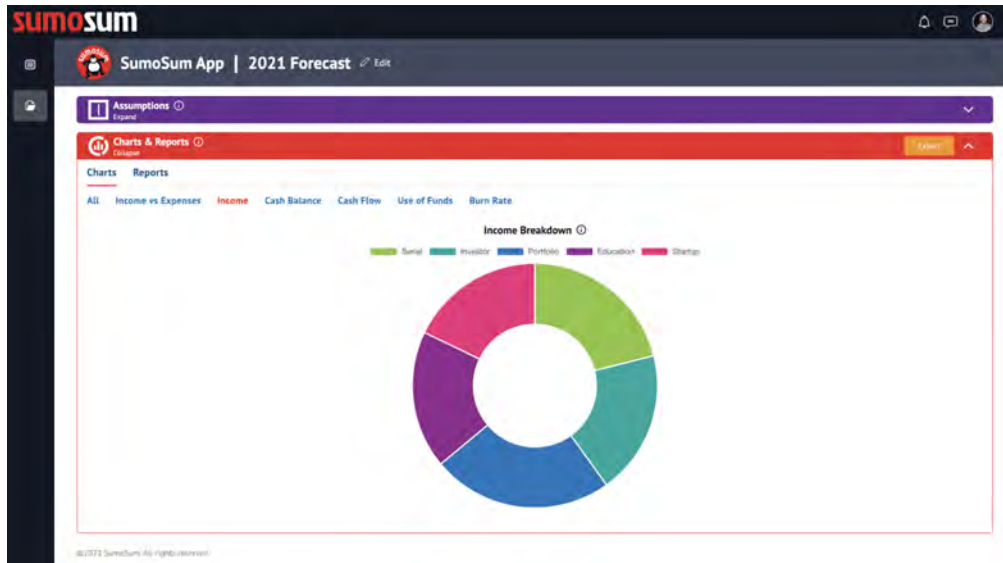
- At any point is the balance a negative number?
- Is there a positive trend of increasing cash?
- Does the cash balance decrease at any time? If so, why?



Income Breakdown

This pie chart shows relative levels of product income. This chart offers insight on which products are the real drivers of a company's profit. Questions to consider:

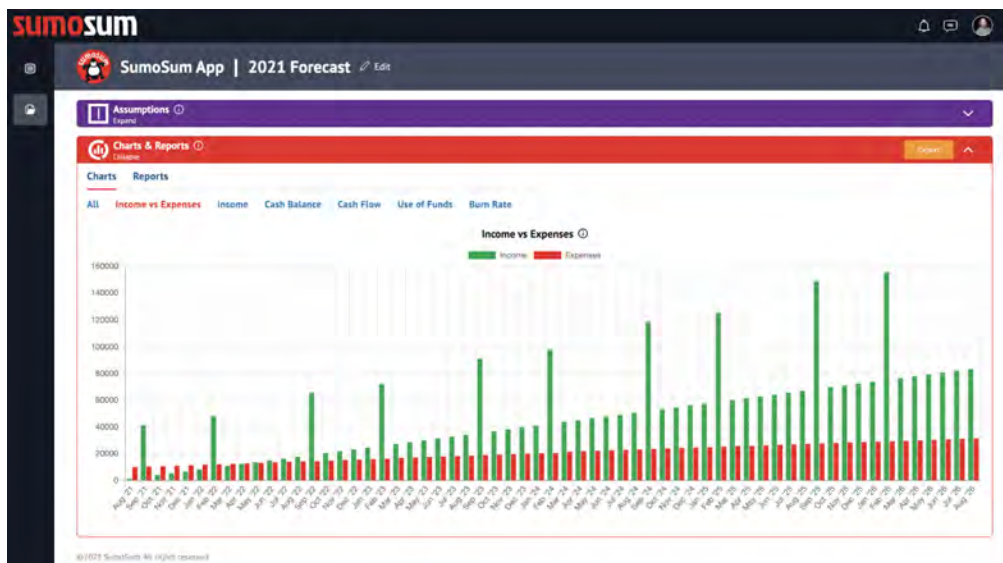
- Which products are most important and why?
- Are any products related to each other? If so, how?
- Are there any products that should be eliminated?



Income vs Expenses

This bar chart compares monthly income (green) to expenses (red). Ideally you're looking for more green than red as this demonstrates profit. Questions to consider:

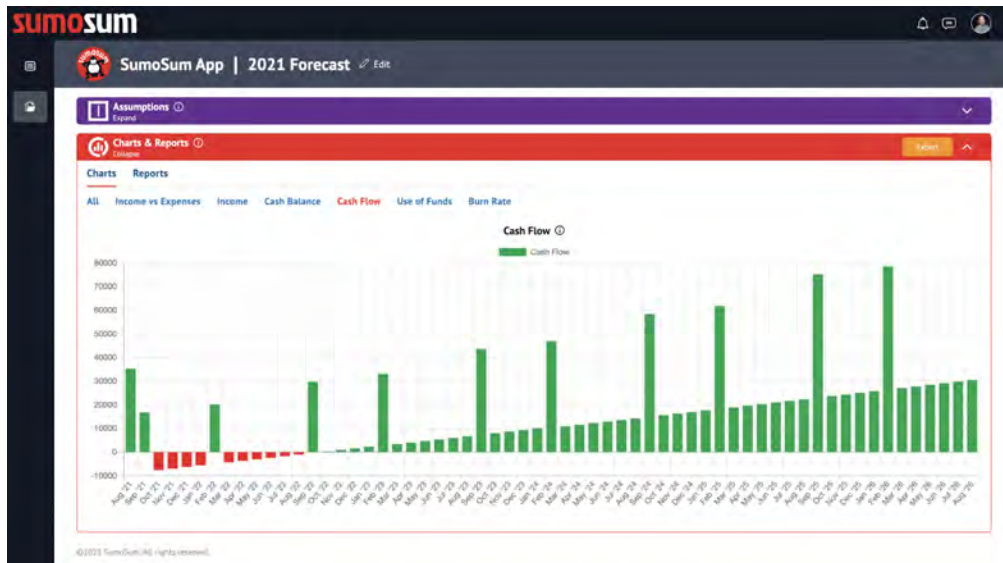
- Do trends like seasonal sales or long-term performance look right?
- Does the monthly relationship between Income and Expenses look right?
- If something looks questionable, do Footnotes adequately explain the outcome?



Cash Flow

This chart shows the increase or decrease in the amount of cash that a business has each month. Green indicates a positive monthly increase while red indicates a monthly decrease. Questions to consider:

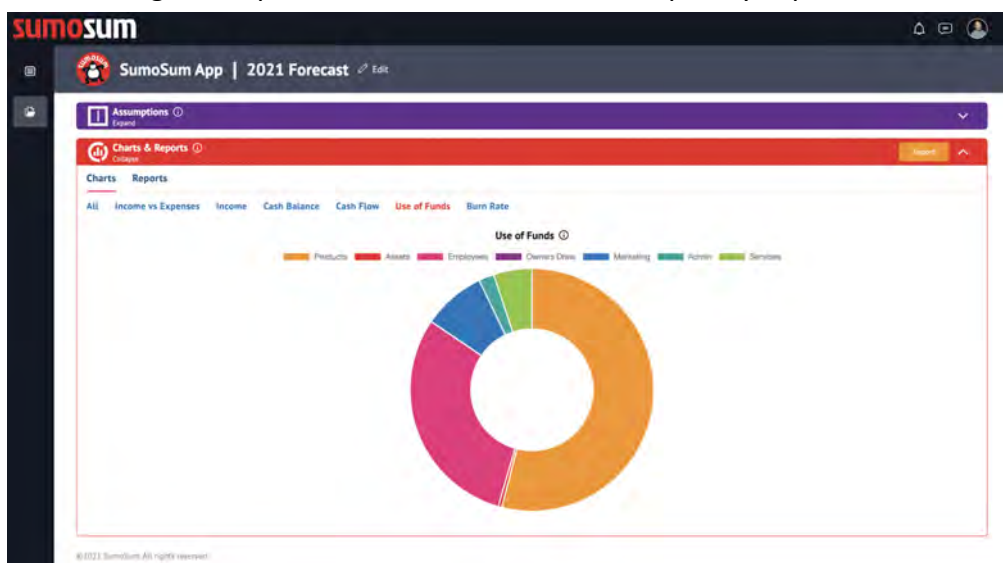
- Is there a positive trend of increasing cash?
- Does any month show a negative cash flow? If so, why?
- Does the cash flow decrease at any time? If so, why?



Use of Funds

This chart shows relative levels of expenditures for Products, Assets, Employees, Owner's Draw, Marketing, Administration and Services. This chart offers insight into the most important cost centers of a company. Questions to consider:

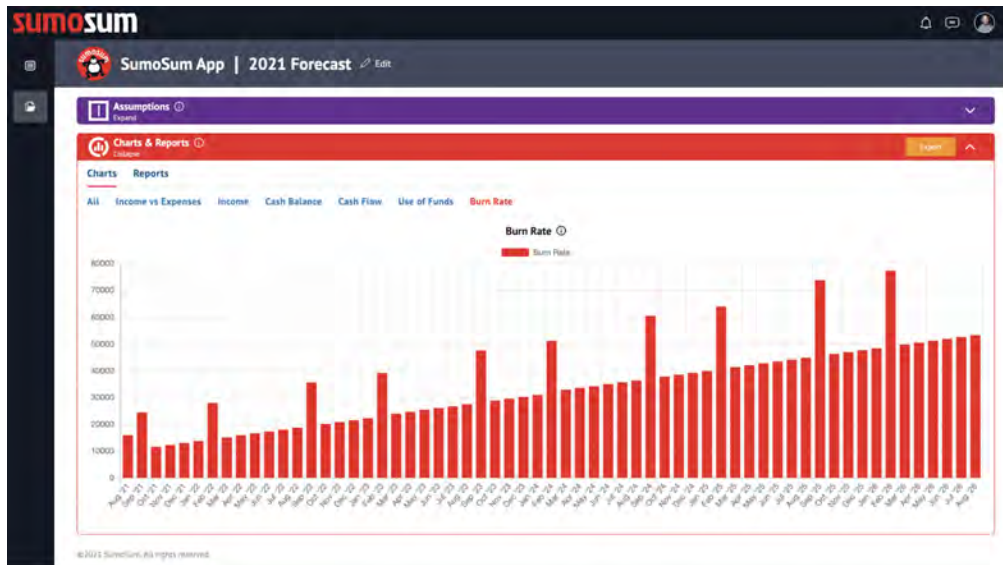
- Are relative cost percentages consistent with the intended business operations?
- Do proportions between cost centers look right?
- If something looks questionable, do Footnotes adequately explain the outcome?



Burn Rate

This chart shows the resources necessary to pay for monthly expenses including COGs, sales commissions, employee wages, employee benefits, owner's draw, asset purchases, marketing, administrative costs, services, interest, dividends and taxes. Questions to consider:

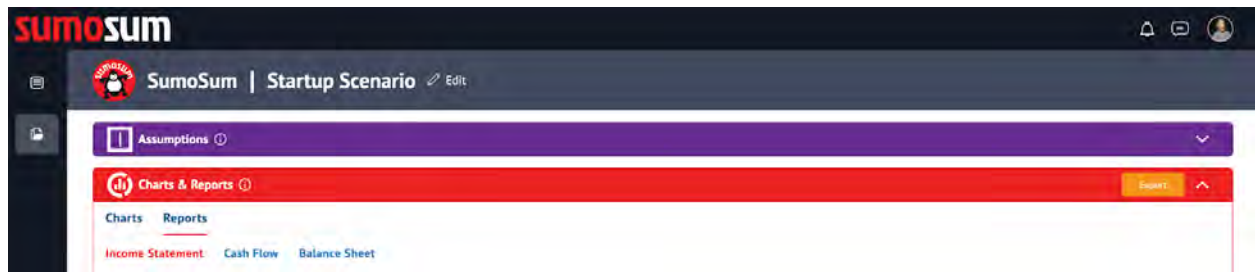
- Do trends like seasonal costs look right?
- Are there any big jumps in costs? If so, why?
- If something looks questionable, do Footnotes adequately explain the outcome?



Lesson 11: Reports Interpretation



Financial forecasts include three key reports: Income Statement, Cash Flow Statement and Balance Sheet. Log into SumoSum.com, visit “Charts & Reports” section and click the “Reports” tab to see the following:



Tips on Reading an Income Statement

An Income Statement is a financial report that shows profit (or loss) over a period of time. The formula is simple: $\text{Income} - \text{Expenses} = \text{Profit}$.

SumoSum - Startup Scenario Financials (Aug 2021 - Aug 2026)

| Income Statement | Year 1 | | | | | | | | | | | | |
|-----------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|---------------|
| | Aug - 2021 | Sep - 2021 | Oct - 2021 | Nov - 2021 | Dec - 2021 | Jan - 2022 | Feb - 2022 | Mar - 2022 | Apr - 2022 | May - 2022 | Jun - 2022 | Jul - 2022 | 2021 - 2022 |
| REVENUE | | | | | | | | | | | | | |
| Gross Sales | 512,500 | 515,000 | 510,000 | 523,120 | 525,000 | 530,250 | 533,500 | 537,000 | 541,000 | 545,500 | 551,500 | 558,000 | 5,355,420 |
| (Sales Commissions) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (Returns & Allowances) | 25,500 | 25,500 | 25,500 | 25,500 | 25,500 | 25,500 | 25,500 | 25,500 | 25,500 | 25,500 | 25,500 | 25,500 | (305,000) |
| Net Sales | 344,750 | 344,000 | 344,196 | 349,720 | 350,120 | 354,750 | 358,000 | 361,500 | 365,500 | 370,000 | 375,000 | 380,500 | 3,580,420 |
| Cost of Goods | 350 | 1,505 | 2,354 | 3,221 | 4,080 | 4,955 | 5,800 | 6,705 | 7,730 | 8,873 | 10,015 | 11,150 | (7,218) |
| Interest Income | 0 | 293.99 | 335.79 | 459.53 | 584.00 | 705.27 | 853.29 | 992.1 | 1,089.74 | 1,218.22 | 1,347.75 | 1,478.34 | 9,285.75 |
| NET PROFIT | 344,400 | 348,898.99 | 349,101.75 | 349,858.53 | 349,894.00 | 350,499.27 | 352,456.29 | 354,792.1 | 357,769.74 | 361,235.22 | 365,337.75 | 370,350.34 | 35,003,407.74 |
| EXPENSES | | | | | | | | | | | | | |
| Salaries & Wages | 9,400 | 9,400 | 9,400 | 9,400 | 9,400 | 9,400 | 9,400 | 9,400 | 9,400 | 9,400 | 9,400 | 9,400 | 112,800 |
| Employee Benefits | 1,128 | 1,128 | 1,128 | 1,128 | 1,128 | 1,128 | 1,128 | 1,128 | 1,128 | 1,128 | 1,128 | 1,128 | 13,536 |
| Payroll Taxes | 845 | 845 | 845 | 845 | 845 | 845 | 845 | 845 | 845 | 845 | 845 | 845 | 10,152 |
| Owner's Draw | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Professional Services | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 12,000 |
| Marketing | 8,500 | 8,500 | 8,500 | 8,500 | 8,500 | 8,500 | 8,500 | 8,500 | 8,500 | 8,500 | 8,500 | 8,500 | 102,500 |
| Rent (Lease) | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 12,000 |
| Property Taxes | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Equipment | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 2,400 |
| Maintenance | 27 | 27 | 27 | 27 | 27 | 27 | 27 | 27 | 27 | 27 | 27 | 27 | 324 |
| Depreciation & Amortization | 28.33 | 2,155 | 2,155 | 2,155 | 2,155 | 2,155 | 2,155 | 2,155 | 2,155 | 2,155 | 2,155 | 2,155 | 24,255.33 |
| Insurance | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 2,400 |
| Telephone & Internet | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 155 | 1,860 |
| Utilities | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 600 |
| Office Supplies | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 600 |
| Travel & Shipping | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 60 |
| Legal | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Contractual | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 3,600 |
| Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Loan Interest | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL EXPENSES | 322,849.33 | 325,660 | 325,660 | 325,660 | 325,660 | 325,660 | 325,660 | 325,660 | 325,660 | 325,660 | 325,660 | 325,660 | 3,958,013.33 |
| Pre-Tax Net Income | 453,550.67 | 459,338.99 | 457,035.75 | 459,702.53 | 472,568.03 | 475,428.27 | 478,335.29 | 481,411.1 | 484,769.74 | 488,385.22 | 492,255.75 | 495,200.34 | 5,733,012.42 |
| Estimated Taxes on Income | 102,242.09 | 102,343.94 | 153,482.33 | 154,427.35 | 155,355.91 | 156,358.5 | 157,410.75 | 158,458.89 | 159,599.31 | 170,505.23 | 172,383.51 | 173,571.17 | 2,005,884.93 |
| Charity | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Donations | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Investor Dividends | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| NET PROFIT | 351,308.58 | 357,001.05 | 353,553.42 | 355,275.18 | 357,192.12 | 359,069.77 | 360,926.54 | 362,952.21 | 365,264.43 | 367,880.52 | 371,872.24 | 371,629.17 | 35,003,407.74 |

Drafted Tue Sep 28 2021 12:14:00 PM

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Page 1

1. Find the Bottom Line (It's easy—it's at the bottom): It's good to see a positive Net Profit number each Period. That means the company earned more than it spent during the period. If the bottom line is enclosed in parentheses which means the company had a loss

for the period. Sometimes new companies have high start-up costs and do not expect to immediately turn a profit. Or maybe the business is seasonal, like retail or agriculture where costs are initially and sales come in later periods. If there's a projected loss, find out why and whether there's a plan to make a profit in the future.

2. Look at Sources of Income: Do they make sense for the business? Ideally income is consistent and predictable over time. For example, crowd-funding "sales" only happen once, which doesn't support the idea of sustainable sales. Are income estimates adequately justified in Footnotes?

3. Look at Expense Categories: Are they logical? Is anything missing that you would expect to see? For example, if the business has a hundred employees and you don't see rent or a facilities asset, find out why. Are expense estimates adequately justified in Footnotes?

4. Look at the Biggest Expenses: If it's a service business, expect to see a large number for salaries. If it's a manufacturing business, COGS might be a significant number. On the other hand, what if you know the company has only three employees but the salary line is extremely high? Is someone being overpaid? Or what if you see high interest expenses? Question why the company is borrowing money, from whom, and whether they're paying a reasonable rate. Are expense estimates adequately justified in Footnotes?

5. Compare "Year-Over-Year" Trends: Income Statements usually have separate columns showing figures for multiple years. Are growth percentages for sales justified in Footnotes? Are expense reductions like COGS justified in Footnotes?

6. Question Relationships Between Numbers: Look for relationships between numbers that should logically exist. For example, do costs track with trends in sales? Do facilities track with staffing?

7. Read the Footnotes: Financial forecasts are typically made to paint a rosy picture. The key to reading financials is reading the footnotes to determine whether the assumptions behind projections are reasonable.

Income Statement Definitions

To understand Income Statement line items, see the definitions below:

INCOME

Gross Sales: Revenue from all product and service sales.

(Sales Commissions): Reduction from a percentage of sales that a sales representative earns on sales.

Returns & Allowances): Reduction from returned items, theft and other losses.

NET SALES: Revenue adjusted for Sales Commissions and Returns & Allowances.

Cost of Goods: Cost of Goods Sold (“COGS”) is the “direct costs” or amount of money required to make a product. This includes materials, labor and shipping (including shipping is referred to as a “landed” cost). COGs do not include equipment, facilities and other overhead costs.

Interest Income: Interest earned from cash reserves held in interest-bearing accounts.

GROSS PROFIT: NS - COGS + II.

EXPENSES

Salaries & Wages: The amount paid to employees.

Employee Benefits: Employee benefits such as unemployment and workers compensation insurance, health care, dental coverage and retirement contributions.

Payroll Taxes: Employer-paid tax contributions and unemployment insurance.

Owner’s Draw: The amount paid to owners.

Professional Services: Expenses including Legal, Accounting, Financial Consulting, Business Consulting, Information Technology, Research & Dev and Testing.

Marketing: Expenses related to selling such as public relations, advertising and promotional programs.

Rent / Lease: Expenses such as office and facilities rent and leasing.

Property Fees: Expenses such as property management, dues, trash services, etc.

Equipment: Expenses for small equipment purchases (less than \$5,000USD).

Maintenance: Expenses like janitorial services.

Depreciation & Amortization: Expenses for large asset purchases (over \$5,000USD) are spread over the asset’s useful life. “Fixed assets” (e.g., facilities and equipment) are “depreciated” while “intangible assets” (e.g. patents, trademarks and copyrights) are “amortized.”

Insurance: Includes general liability, commercial property, commercial automobile, business income and professional liability. Key person and data breach insurance are also common. Workers compensation insurance is accounted for in Employee Benefits.

Telephone / Data Service: Expenses including Internet data, cable and phone services.

Utilities: Expenses such as electricity and gas services.

Office Supplies: Expenses for items that need to be refilled or replaced such as printer ink, paper clips, paper, pens, staples, record keeping supplies, janitorial supplies, break room supplies, etc.

Postage & Shipping: Expenses such as postage, envelopes, P.O. Box rental, delivery and messenger services.

Travel: Expenses for traveling for the purpose of conducting business-related activities such as airfare, lodging, transport services, cost of meals and tips, and use of communications devices.

Entertainment: Allowable expenses for work-related meals and entertainment vary. Examples of 100% deductible: A company-wide holiday party or food included as taxable compensation to employees. Examples of 50% deductible: A meal with a client where work is discussed, employee meals while traveling, employee meetings, food for a board meeting or dinner provided for employees working late.

Other Expenses: Expenses unique to specific industries such as technology licensing, research & development, gains/losses on investments and foreign exchange impacts.

Loan Interest: Interest expenses to service loans. Payments for loan principal are NOT recognized in Income Statements and instead are recognized in Balance Sheet Liabilities.

TOTAL EXPENSES: The sum of all Expenses noted above.

Pre-Tax Net Income: Gross Profit - Total Expenses.

Estimated Taxes on Income: Taxes charged on Pre-Tax Net Income.

Grants: Financial resources given to a nonprofit typically by a foundation, corporation or government agency seeking to fund a specific type of program.

Donations: Financial resources given to a nonprofit typically by individuals, companies and trusts.

Investor Dividends: A portion of a company's profit paid to shareholders.

NET PROFIT: For-profits: $PTNP - ET - ID$. Nonprofits: $PTNP - ET + G + D$.

Tips on Reading a Cash Flow Statement

A Cash Flow Statement is a financial report that tells you how much cash is entering and leaving your business in a given period. The formula is simple: $\text{Cash Receipts} - \text{Cash Disbursements} = \text{Cash Flow}$.

SumoSum - Startup Scenario Financials (Aug 2021 - Aug 2026)

| Cash Flow | Year 1 | | | | | | | | | | | | |
|---------------------------|----------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|
| | Aug-2021 | Sep-2021 | Oct-2021 | Nov-2021 | Dec-2021 | Jan-2022 | Feb-2022 | Mar-2022 | Apr-2022 | May-2022 | Jun-2022 | Jul-2022 | 2021-2022 |
| CASH RECEIPTS | | | | | | | | | | | | | |
| Income from Sales | | | | | | | | | | | | | |
| Cash Sales | 512,500 | 515,130 | 519,000 | 523,120 | 527,500 | 532,130 | 537,010 | 542,150 | 547,560 | 553,240 | 559,190 | 565,420 | 6,355,420 |
| Credit Sales | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Telemark Sales | 4512,500 | 4519,130 | 4519,000 | 4525,120 | 4529,500 | 4534,290 | 4539,010 | 4543,810 | 4548,690 | 4553,640 | 4558,650 | 4563,730 | 53,369,420 |
| Income from Financing | | | | | | | | | | | | | |
| Interest Income | 0 | 265.60 | 335.75 | 418.50 | 514.00 | 623.27 | 746.28 | 884.1 | 1,037.9 | 1,208.22 | 1,397.75 | 1,608.34 | 5,285.75 |
| Loan Proceeds | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Equity Investments | 250,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 350,000 |
| Grants | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dividends | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total from Financing | 250,000 | 265.60 | 335.75 | 418.50 | 514.00 | 623.27 | 746.28 | 884.1 | 1,037.9 | 1,208.22 | 1,397.75 | 1,608.34 | 5,285.75 |
| Mac. Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total CASH RECEIPTS | 4637,000 | 4534,365.60 | 4538,335.75 | 4548,638.50 | 4557,014.00 | 4564,823.27 | 4572,756.28 | 4580,994.1 | 4589,697.9 | 4598,848.22 | 4608,437.75 | 4618,458.34 | 55,755,705.75 |
| CASH DISBURSEMENTS | | | | | | | | | | | | | |
| Cost of Goods | 450 | 1,505 | 2,354 | 3,221 | 4,109 | 5,026 | 5,969 | 6,935 | 7,924 | 8,933 | 10,015 | 11,156 | 57,218 |
| Operating Expenses | 22,871 | 22,871 | 22,871 | 22,871 | 22,871 | 22,871 | 22,871 | 22,871 | 22,871 | 22,871 | 22,871 | 22,871 | 274,452 |
| Sales Commissions | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Rentals & Allocations | 25,500 | 25,500 | 25,500 | 25,500 | 25,500 | 25,500 | 25,500 | 25,500 | 25,500 | 25,500 | 25,500 | 25,500 | 300,000 |
| Capital Purchases | 5,700 | 127,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 132,700 |
| Loan Payments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest Payments | 170,275 | 171,289.74 | 172,305.93 | 173,323.19 | 174,341.41 | 175,360.61 | 176,380.85 | 177,402.15 | 178,424.41 | 179,447.63 | 180,471.81 | 181,507.04 | 2,111,370.11 |
| Investor Dividends | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL DISBURSEMENTS | 224,926 | 348,102.74 | 322,911.93 | 322,924.19 | 322,936.61 | 322,949.11 | 322,961.61 | 322,974.11 | 322,986.61 | 322,999.11 | 323,011.61 | 323,024.11 | 3,811,971.77 |
| NET CASH FLOW | 4392,074 | 4186,262.86 | 4215,423.82 | 4225,714.31 | 4234,077.40 | 4242,454.16 | 4250,847.67 | 4259,257.00 | 4267,681.00 | 4276,110.00 | 4284,554.00 | 4293,003.23 | 51,943,734.04 |
| Opening Cash Balance | 0 | 437,000 | 874,000.00 | 1,311,000.00 | 1,748,000.00 | 2,185,000.00 | 2,622,000.00 | 3,059,000.00 | 3,496,000.00 | 3,933,000.00 | 4,370,000.00 | 4,807,000.00 | 5,244,000.00 |
| Cash Receipts | 4512,500 | 4519,130 | 4519,000 | 4525,120 | 4529,500 | 4534,290 | 4539,010 | 4543,810 | 4548,690 | 4553,640 | 4558,650 | 4563,730 | 53,369,420 |
| Cash Disbursements | 224,926 | 348,102.74 | 322,911.93 | 322,924.19 | 322,936.61 | 322,949.11 | 322,961.61 | 322,974.11 | 322,986.61 | 322,999.11 | 323,011.61 | 323,024.11 | 3,811,971.77 |
| ENDING CASH BALANCE | 437,000 | 874,000.00 | 1,311,000.00 | 1,748,000.00 | 2,185,000.00 | 2,622,000.00 | 3,059,000.00 | 3,496,000.00 | 3,933,000.00 | 4,370,000.00 | 4,807,000.00 | 5,244,000.00 | 58,055,734.04 |

1. Find the Bottom Line: It's good to see a positive number each period. That means the company has cash to continue in business. If the bottom line is enclosed in parentheses, then disbursements exceeded receipts. Companies can have varying amounts of cash on hand depending on what they need to purchase to create products and build the business. For example, maybe the business is seasonal, like retail or agriculture. If cash is negative for any period, find out why and whether there's a plan to make up for it in other periods.

2. Look at the Sources of Cash Receipts: Do they make sense for the business? Ideally receipts are consistent and predictable over time. Also look for long-term trends in income from sales vs financing as eventually a business must be sustainable beyond financing infusions. Are income estimates adequately justified in Footnotes?

3. Look at the Disbursement Categories: Are they logical? Is anything missing that you would expect to see? For example, if the business has a hundred employees and you don't see significant Operating Expenses, find out why. Are expense estimates adequately justified in Footnotes?

4. Look at the Biggest Disbursements: If it's a service business, expect to see a large number for Operating Expenses which include salaries. If it's a manufacturing business,

COGS might be a significant number. On the other hand, what if you know the company has only three employees but the operating expenses are extremely high? Is someone being overpaid? Or what if you see high interest expenses? Question why the company is borrowing money, from whom, and whether they're paying a reasonable rate. Are expense estimates adequately justified in Footnotes?

5. Consider Cash Management: Companies don't necessarily want to have continually growing cash on hand as profits can be reinvested or shared as Dividends. If a company is scaling, look to see what it's doing with its cash by looking at Disbursement categories.

6. Question Relationships Between Numbers: Look for relationships between numbers that should logically exist. For example, do costs track with trends in sales? Do facilities track with staffing?

7. Read the Footnotes: Financial forecasts are typically made to paint a rosy picture. The key to reading financials is reading the footnotes to determine whether the assumptions behind projections are reasonable.

Cash Flow Statement Definitions

To understand Cash Flow line items, see the definitions below:

CASH RECEIPTS

Income from Sales

Cash Sales: Revenue received for sales during each period.

Credit Sales: Revenue received for credit sales from prior periods.

Total from Sales: Cash Sales + Credit Sales

Income from Financing

Interest Income: Interest earned from cash reserves held in interest-bearing accounts.

Loan Proceeds: Financial resources contributed by banks and other lenders.

Equity Investments: Financial resources contributed by investors.

Grants: Financial resources given to a nonprofit typically by a foundation, corporation or government agency seeking to fund a specific type of program.

Donations: Financial resources given to a nonprofit typically by individuals, companies and trusts.

Total from Financing: II + LP + EI + G + D.

Misc. Income: Other income including sales of Assets at the end of useful term.

TOTAL CASH RECEIPTS: TS + TF + MI.

CASH DISBURSEMENTS

Costs of Goods: Cost of Goods Sold (“COGS”) is the “direct costs” or amount of money required to make a product.

Operating Expenses: Costs incurred to keep a business running. These are defined in Income Statement Expenses that include Salaries & Wages, Employee Benefits, Payroll Taxes, Owner’s Draw, Professional Services, Marketing, Rent/Lease, Property Fees, Equipment, Maintenance, Depreciation & Amortization, Insurance, Telephone / Data Services, Utilities, Office Supplies, Postage & Shipping, Travel, Entertainment, Other Expenses and Loan Interest.

Sales Commissions: A percentage of sales that a sales representative earns on sales.

Returns & Allowances: A percentage of sales from returned items, theft and other losses.

Fixed Assets: Large purchase items (at least \$5,000USD each) that have a useful life of more than one year. The Income Statement spreads the costs for these items’ useful lives in the “Depreciation & Amortization” line. The Balance Sheet includes these items under a “Fixed Assets” category that includes Land, Facilities, Equipment, Computers and Telecommunications.

Intangible Assets: Intangible intellectual property assets including patents, trademarks, copyrights, goodwill, brand reputation and client lists. The Income Statement spreads the costs for these items’ useful lives in the “Depreciation & Amortization” line. The Balance Sheet includes these items under an “Intangible Assets” category.

Loan Payments: Loan principal and interest payments.

Income Tax Payments: Government taxes paid during each period.

Investor Dividends: Payments a company makes to share profits with its stockholders, generally once a year.

TOTAL DISBURSEMENTS: COGS + OE + SC + R&A + FA + IA + LP + IT + ID.

NET CASH FLOW

Opening Cash Balance: Cash on hand at the beginning of each period.

Cash Receipts: Noted above.

(Cash Disbursements): Noted above.

ENDING CASH BALANCE: CR - CD.

Tips on Reading a Balance Sheet

A Balance Sheet is a financial statement that reports a company's assets, liabilities, and shareholder equity at a specific point in time. The formula is simple: $Assets = Liabilities + Net\ Worth$.

SumoSum - Startup Scenario Financials (Aug 2021 - Aug 2026)

| Balance Sheet | Year 1 | | | | | Year 2 | Year 3 | Year 4 | Year 5 |
|--------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | Q1 - 2021 | Q2 - 2021 | Q3 - 2022 | Q4 - 2022 | 2021 - 2022 | 2022 - 2023 | 2023 - 2024 | 2024 - 2025 | 2025 - 2026 |
| ASSETS | | | | | | | | | |
| Current Assets | | | | | | | | | |
| Cash | 1,102,882.11 | 2,008,704.05 | 2,923,721.94 | 3,838,555.04 | 3,838,555.04 | 7,851,779.23 | 12,210,383.94 | 15,935,723.81 | 22,001,247.11 |
| Accounts Receivable | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Current Assets | 1,102,882.11 | 2,008,704.05 | 2,923,721.94 | 3,838,555.04 | 3,838,555.04 | 7,851,779.23 | 12,210,383.94 | 15,935,723.81 | 22,001,247.11 |
| Fixed Assets | | | | | | | | | |
| Land | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Patent | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Equipment | 285 | 270 | 255 | 240 | 240 | 180 | 150 | 100 | 0 |
| Computer | 5,885 | 4,879 | 4,555 | 4,440 | 4,440 | 3,360 | 2,790 | 1,860 | 0 |
| Telecommunications | 1,500 | 1,800 | 1,700 | 1,600 | 1,600 | 1,200 | 800 | 400 | 0 |
| Intangible Assets | 55 | 50 | 45 | 40 | 40 | 30 | 20 | 10 | 0 |
| Lease Depreciation & Amortization | 4,408.33 | 5,585 | 6,595 | 7,940 | 24,253.33 | 25,340 | 25,340 | 25,340 | 25,340 |
| Total Fixed Assets | 11,253.15 | 13,154.00 | 11,149.45 | 11,080.00 | 11,080.00 | 5,070.00 | 3,570.00 | 2,270.00 | 10 |
| TOTAL ASSETS | 11,256,135.11 | 12,124,224.05 | 13,033,871.39 | 13,970,325.04 | 13,970,325.04 | 17,933,759.23 | 19,294,313.94 | 18,963,093.81 | 22,011,247.11 |
| LIABILITIES | | | | | | | | | |
| Current Liabilities | | | | | | | | | |
| Short-Term Notes Payable | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Income Taxes Due | 172,255.80 | 175,175 | 1,063,421.11 | 1,021,444.27 | 1,021,444.27 | 150,088.01 | 216,679.87 | 251,827.50 | 246,280.22 |
| Expenses Payable | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Current Liabilities | 172,255.80 | 175,175 | 1,063,421.11 | 1,021,444.27 | 1,021,444.27 | 150,088.01 | 216,679.87 | 251,827.50 | 246,280.22 |
| Long-Term Liabilities | | | | | | | | | |
| Long-Term Notes Payable | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Long-Term Liabilities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL LIABILITIES | 172,255.80 | 175,175 | 1,063,421.11 | 1,021,444.27 | 1,021,444.27 | 150,088.01 | 216,679.87 | 251,827.50 | 246,280.22 |
| Net Worth | | | | | | | | | |
| Paid-Up Capital | 350,000 | 350,000 | 350,000 | 350,000 | 350,000 | 350,000 | 350,000 | 350,000 | 350,000 |
| Retained Earnings | 765,781.40 | 1,285,051.05 | 2,268,324.50 | 3,437,880.77 | 3,437,880.77 | 7,384,514.17 | 11,598,534.35 | 15,381,135.45 | 21,432,716.10 |
| Total Net Worth | 11,056,781.40 | 11,545,051.05 | 12,058,324.50 | 13,787,880.77 | 13,787,880.77 | 17,734,514.17 | 19,294,313.94 | 18,963,093.81 | 22,011,247.11 |
| TOTAL LIABILITIES (net worth) | 11,228,997.11 | 12,124,224.05 | 13,093,665.61 | 13,970,325.04 | 13,970,325.04 | 17,933,759.23 | 19,294,313.94 | 18,963,093.81 | 22,011,247.11 |

- 1. Find the Next-To Bottom Line:** It's good to see a positive Total Net Worth number each period. That means the company is becoming more valuable.
- 2. Look at Asset Categories:** Do they make sense for the business? Does the proportion of Current Assets (cash generation) make sense in light of the Fixed Assets (investments to =make products)? Are Asset estimates adequately justified in Footnotes?
- 3. Look at Fixed Asset Categories:** Are they logical and in proportion to the business? Is anything missing that you would expect to see? Are Fixed Assets adequately justified in Footnotes?
- 4. Look at Liabilities Categories:** Does the amount of debt (notes payable) make sense in relation to Current Assets (cash coming in)? Question why the company is borrowing

money, from whom, and whether they're paying a reasonable rate. Are Loans adequately justified in Footnotes?

5. Compare "Year-Over-Year" Trends: Balance Sheets usually have separate columns showing figures for multiple years. Do growth trends make sense?

7. Read the Footnotes: Financial forecasts are typically made to paint a rosy picture. The key to reading financials is reading the footnotes to determine whether the assumptions behind projections are reasonable.

Balance Sheet Definitions

To understand Balance Sheet line items, see the definitions below:

ASSETS

Current Assets

Cash: Money such as currency held by a business.

Accounts Receivable: Money owed to a business by customers for products or services.

Total Current Assets: C + AR.

Fixed Assets

Land: Real estate ownership. Land is a non-depreciable asset.

Facilities: Typically office buildings, factories and warehouses. Facilities are depreciable.

Equipment: Typically machinery, furniture, fixers, vehicles, electronic devices and other large purchases (over \$5,000USD).

Computers: Traditionally included in Equipment but now often broken out into a separate category for large purchases (over \$5,000USD).

Telecommunications: Traditionally included for telephone switching gear as large purchases (over \$5,000USD).

(Less Depreciation): Depreciation spreads the cost of the asset over the life of the asset's useful life.

Total Fixed Assets: L + F + E + C + T - A.

Intangible Assets

Intangible Assets: Intellectual property including patents, trademarks, copyrights, goodwill, brand recognition (trade names and website domains) and client lists.

(Less Amortization): Amortization spreads the cost of the asset over the life of the asset's useful life.

Total Intangible Assets: $IA - A$.

TOTAL ASSETS: $CA + FA + IA$.

LIABILITIES

Current Liabilities

Short-Term Notes Payable: Obligations to pay a specific sum, including interest, within 1 year.

Income Taxes Due: Taxes mandatory contributions charged by a government.

Dividends Payable: Share of profits due to shareholders at the end of the year.

Total Current Liabilities: $STNP + ITD + DP$.

Long-Term Liabilities

Long-Term Notes Payable: Short-term notes payable are due within one year, while long-term notes payable are due after one year.

Total Long-Term Liabilities: $LTNP$.

TOTAL LIABILITIES: $TCL + TLTL$.

Net Worth

Paid-in Capital: the amount of money a company has received from shareholders in exchange for shares of stock.

Retained Earnings: The accumulated portion of a business's profits that are not distributed as dividends to shareholders.

Total Net Worth: $PIC + RE$.

TOTAL LIABILITIES / NET WORTH: $TL + TNW$.