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OCTOBER 22-25

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From Chaos to Financial Clarity: Getting Your Financial House in Order to Profit and Grow

Ken Lucci, Driving Transactions

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From Chaos to Financial Clarity

Getting Your Financial House in Order to Profit and Grow

Presented By

Driving
TRANSACTIONS

*Grow, Borrow, Buy,
Sell*



We have performed comprehensive financial reviews of 250+ passenger transportation companies.

We work with transportation companies that want to sell or buy & commercial banks that make vehicle loans.

Driving
TRANSACTIONS

We also have the most data and keen insight into industry financial, operational KPIs, and lending trends.

Today's Session Objectives

We Will Discuss:

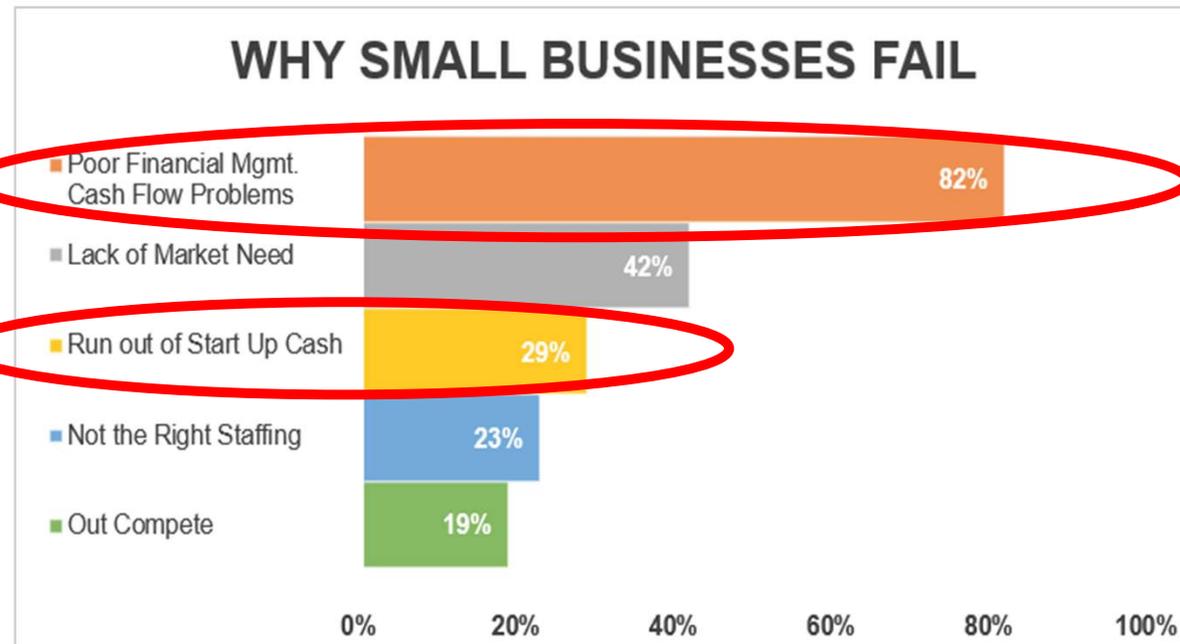
- Examples of chaos we see all the time when we review operator financials
- Explain why financial clarity is critical to success in business
- Establish what financial clarity looks like and how to achieve it

1. How to format a P&L Statement specific to our industry *(and why do it)*
2. What financial data and metrics on your P&L you should be measuring
3. How to format a Balance Sheet – what healthy looks like for borrowing
4. How to become traditionally bankable – what to provide and when
5. Identify revenue and operational KPIs to measure and why
6. Takeaways, implementation strategies, and next steps
7. What to do if you think this is too overwhelming to do yourself

Small Business Failure Rates and the Reasons

- 50% of small businesses **FAIL** within 5 years.
- 66% don't make it to their 7th year.
- Only 20% make it to their 10th year.

Just because your business is older than 10 years, doesn't mean it is financially healthy. Industry metrics have changed, so should your financial practices.

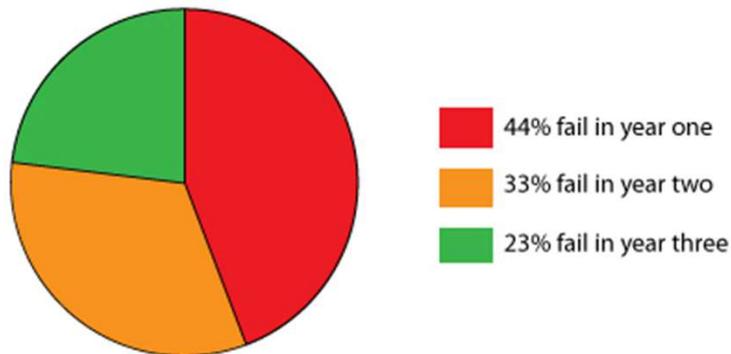


Sources: Forbes, 10-25-18, Small Business Administration
Zippia, 11-2-22, Small Business Administration

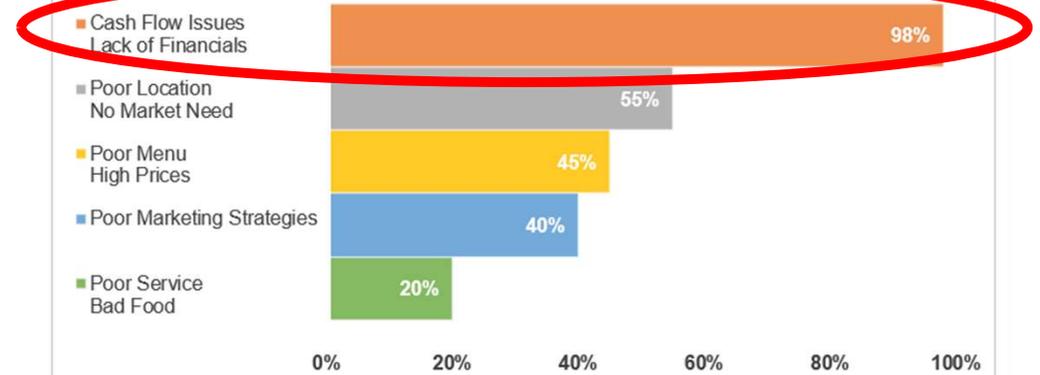
Drawing an Important Parallel: Why Restaurants Fail

Another discretionary purchase, service experience based, with at-will clients, etc.

Restaurant Failure Timeline:
The First Three Years



WHY RESTAURANTS FAIL



National Restaurant Association estimates <20% success rate for all restaurants – **80% FAIL within 5 years of opening.**

#1 Reason Service Businesses Fail Is NOT Service Delivery Problems

#1 Reason for Service Business Failures Is POOR Financial Management



I know how to COOK!



- ✓ Lack of Accurate Financial Data
- ✓ Low or NO Profits
- ✓ Low or NO Cash Liquidity
- ✓ Not Knowing/Managing Financial Metrics

What Does Financial Chaos Look Like?



Financially BLIND!

- ✓ Don't know what it costs to perform each trip.
Ex: How much is driver labor or fleet expense as a % of total income?
- ✓ Don't know what clients owe you (*receivables*).
- ✓ Don't know what you owe vendors or loan balances (*payables*).
- ✓ Aren't sure how much money you KEEP on every trip (*after costs*).
What you MAKE is less important than what you KEEP!
- ✓ Don't know what total monthly overhead expenses are.
- ✓ Don't know if you made an actual **NET profit** this month.
(BTW, money left in your checking account does not = PROFIT)

As a Business Owner Is This YOU?

- I hope we are going to make a profit this month.
- I hope we can make payroll next week.
- I hope we can pay our fleet insurance.
- I hope we can pay our fuel bill.
- I hope we can get that new vehicle financed.

- I hope we have no accidents.
- I hope there is no recession.
- I hope there is no more COVID.
- I hope there are no increases in insurance.

*Because we
have no
EXTRA CASH
set aside*

HOPE Is NOT a Business Strategy



Or Is This YOU?

Fatal Financial Chaos

- Don't pay yourself consistently (W-2 income)
- Owe a HUGE tax bill and don't have the cash to pay it
- Don't know your total debt or have a plan to pay it
- Have NO investments or net worth other than this business
- Think your business is worth MILLIONS and will sell fast
 - "My accountant says it's worth 2x annual revenue"*
 - "A business broker says it's worth 5x-6x EBITDA"*

***"I don't need a retirement plan;
I will just sell my business."***

FATALLY WRONG!



WE ARE TOO BUSY Chaos

*We have LOTS of trips today, so we **MUST** be **PROFITABLE!***

What I Call “Delusional” Chaos:

- Thinking more trips always = more profit
- Thinking more vehicles = success
- If a bank lends me money, I can afford to buy it
- *“I don’t have time to review monthly financials;
I will let my accountant worry about that.”*

Financial CLARITY = Current and Complete Financial Picture

Financial Statement

Balance Sheet

	Current	Previous
Assets		
Current Assets	5,867	2,944
Non-Current Assets	18,386	12,932
Total Assets	\$ 24,253	\$ 15,876
Liabilities		
Current Liabilities	3,860	2,876
Non-Current Liabilities	11,873	8,200
Total Liabilities	\$ 15,733	\$ 11,076
Shareholders' Equity		
Equity Capital	6,498	4,180
Retained Earnings	2,022	620
Total Shareholders' Equity	\$ 8,520	\$ 4,800
Total Liabilities And Shareholders' Equity	\$ 24,253	\$ 15,876

Cash Flow Statement

	Current	Previous
Operating Activities		
Net Income	1,241	1,450
Adjustments To Reconcile Net Income		890
Changes In Operating Assets And Liabilities		
Total Operating Activities	\$ 3,581	\$
Investing Activities		
Marketable securities	(270)	
Property, plant and equipment	(891)	
Total Investing Activities	\$ (1,161)	\$
Financing Activities		
Issuance Of Term Debt	3,077	
Repayments Of Term Debt	(852)	
Total Financing Activities	\$ 2,225	\$

Income Statement

	Current	Previous
Net Sales	9,682	6,201
Cost of Sales	7,087	5,594
Gross Margin	\$ 2,595	\$
Operating Expenses	1,099	
Administrative Expenses	345	
Total Operating Expenses	\$ 1,444	\$
Operating Income	\$ 1,351	\$
Income Tax		
Net Income	\$	\$

Updated & Managed (Monthly)

Allows you to:

1. Manage by financial data & metrics
2. Measure successes & address failures
3. Compare past period performance
4. Compare future forecasts
5. Adjust and course correct
6. Use for all major business decisions
7. Use for loans with traditional banks
8. Start tax planning (mid-year or Q3)

(Year-end financials are retrospective for taxes)

Financial CLARITY = Monthly Reporting & Management Tools

Financial Statement

Balance Sheet

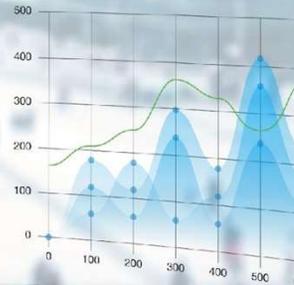
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Administrative Expenses	345	1,249
Total Operating Expenses	\$ 1,444	\$ 2,843
Operating Income	\$ 1,351	\$ (1,642)
Income Tax		
Net Income	\$ 1,351	\$ (1,642)



Financial Reporting & Management Tools:

(Produced MONTHLY on an accounting calendar)

1. Profit & Loss Statement: profit or loss and %s
2. Cash Flow Statement: cash in, out and kept
3. Balance Sheet: what is owned and owed (qtrly)
4. KPI Report: tracks efficiency, utilization, critical data

IDEALLY measured, compared, and benchmarked against prior periods and accurate reference data:

- Past accounting period (*same month last yr*)
- Known and reliable industry averages (not FB)
- Same-size companies in the same industry
- Benchmark: your annual budget

Financial Statements



INCOME STATEMENT

Tells how much money you are making or losing!

BALANCE SHEET

Tells what you owe and what you own

CASH FLOW STATEMENT

Tells how much cash runs thru the business and what sticks! +/-



Just Because You Have a P&L Now, Does Not Mean You Don't Have Financial CHAOS

This Is a Typical "General" P&L Statement:

- ✓ No breakdown by income source
- ✓ No accurate Cost of Goods expenses, No Total COGS
- ✓ No direct costs as a % of total income (*driver labor, overtime, etc.*)
- ✓ No accurate gross profit margin on services
- ✓ No accurate overhead, G&A expense breakdown
- ✓ No comparisons to past periods (*like same month last year*)
- ✓ No financial metrics to manage or measure (*just for tax purposes*)



STATEMENT OF INCOME OR LOSS				
	MONTH OF FEBRUARY 2022		FIVE MONTHS YEAR TO DATE	
INCOME				
4100 RENTAL INCOME	\$ 437,570.62	100.0%	\$ 1,705,967.71	100.0%
4400 INTEREST INCOME	1.04	.0	4.80	.0
TOTAL INCOME	<u>437,571.66</u>	100.0	<u>1,705,972.51</u>	100.0
EXPENSES				
6010 ADVERTISING	181.99	.0	608.98	.0
6070 AUTOMOBILE	38,766.18	8.9	218,381.76	12.8
6075 AUTO LEASE/RENTAL	248.70	.1	1,243.50	.1
6100 BANK CHARGES	2,786.72	.6	26,946.09	1.6
6120 COMMISSIONS	3,473.62	.8	3,473.62	.2
6140 COMPUTER REPAIR/SOFTWARE	720.00	.2	6,140.77	.4
6160 DEPRECIATION	12,242.36	2.8	57,451.86	3.4
6190 DUES & SUBSCRIPTIONS	.00	.0	200.00	.0
6310 INSURANCE	23,177.71	5.3	81,547.37	4.8
6360 INTEREST	2,073.82	.5	5,800.75	.3
6380 LEGAL	.00	.0	200.00	.0
6460 OFFICE EXPENSE	1,278.28	.3	5,352.53	.3
6490 OUTSIDE SERVICES	46,329.01	10.6	365,483.07	21.4
6550 PROFESSIONAL SERVICES	.00	.0	28,278.69	1.7
6580 RENT	15,600.00	3.6	66,000.00	3.9
6610 REPAIRS & MAINT.-BLDG.	80.00	.0	619.16	.0
6730 SALARIES-LIND DEPT 1	101,889.77	23.3	442,122.73	25.9
6760 SALARY-TELECOM-DISP. DEPT 5	27,673.26	6.3	246,725.30	14.5
6810 TAXES-BUSINESS LICENSES	1,014.25	.2	3,014.25	.1
6824 FEDERAL INCOME TAX REFUND	.00	.0	(1,920.65)	(.1)
6840 TAXES-DMV TAGS	2,308.00	.5	7,755.75	.5
6870 TAXES-PROPERTY	.00	.0	9,142.78	.5
6890 TAXES-EMPLOYER PAYROLL	15,443.22	3.5	(207,681.49)	(12.2)
6910 TELEPHONE	220.97	.1	3,756.06	.2
6920 TRAVEL	4,176.62	1.0	5,663.24	.3
6930 MEALS	2,701.31	.6	7,480.46	.4
6960 UTILITIES	1,141.20	.3	4,372.30	.3
TOTAL EXPENSES	<u>303,526.94</u>	69.4	<u>1,286,158.88</u>	75.4

What an Industry-Formatted P&L Looks Like

(This Is Our Direct Cost of Goods Format P&L Statement)

2022 MONTHLY PROFIT & LOSS	2022 Full Year	% of Rev
Ordinary Income/Expense	3,860,555	
Income	91%	
Total Income	3,516,747	
Cost of Goods Sold		
Total COGS	2,028,787	57.7%
Gross Profit	1,487,960	42.3%
Expense		
Total Expense	1,213,151	34.5%
Net Ordinary Income	274,809	7.8%
Other Income/Expense		
Net Other Income/Expense	288,818	8.2%
Net Income	563,627	16.0%
EBITDA	617,996	17.6%

What a Properly Ordered P&L Should Tell Us Instantly:

Financially HEALTHY Business:

- Income compared to same period last year
- Total Cost of Goods: total expense needed to perform trips
- Gross Profit Margin (*also called Net Contribution Margin*)
- Total G&A/Overhead Expenses
- Net Ordinary Income (*net profit from day-to-day operations*)
- Net Other Income/Expenses (*out-of-the-norm income or expenses*)
- EBITDA: Earnings Before Interest, Taxes, Depreciation, and Amortization

Accurate Cost of Goods Section of the P&L

(Contains All DIRECT Expenses Necessary to Perform Trips/Provide the Services)

Our First Job for Clients Is to Create a Dead-On Accurate Cost of Goods

Major Direct Cost of Goods Elements:

- **Cost of Fleet Vehicles:** expressed as loans/interest or depreciation expense.
- **Cost of Direct Labor:** chauffeurs, CDL drivers, detailers (loaded)
- **Cost of Fleet Insurance:** separate from all other insurance types
- **Cost of Repairs, Maintenance, and Detailing**
- **Cost of Fleet Electronics** (mounted in the vehicle)

All Direct Costs Should Ideally be <60% of Total Income

(Typical for an operation \$1M to \$5M in annual income)

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Adjusted EBITDA	655,799	18.6%

What Should be Included in Cost of Goods?

(and What Is an Acceptable Average % of Total Income)

Direct Labor "loaded"



Direct Labor Costs: labor needed to provide the service. Ranges **from 23% to 31% of total income** depending upon the area of the country. **Detailer labor typically ranges from 1% to 1.5% of income.**

Manage OVERTIME!

Vehicle Cost



Fleet Vehicle Costs: expressed as fleet loan payments, lease payments, or depreciation expense. **However you account for fleet expense it MUST be in COGS.**

Fleet Insurance



Fleet Insurance: **averages from 5% to 8% of total income.** Captive insurance could be as low as 3% to 4% of total income. **Start getting new quotes 6 months early and investigate all possibilities.**

Vehicle Repairs
& Maintenance



Vehicle repair expenses and routine maintenance: **repairs are 2% to 3% of income, while maintenance averages 2% to 3% of income on newer fleets.** Older fleet or motorcoach repairs and maintenance could be much higher.

Fuel and Fluids



Fuel and Fluids: Gasoline, diesel, DEF, oil, additives, antifreeze, etc. used in fleet vehicles. We encourage operators to charge fuel surcharges as a pass-thru expense. **Total fuel expense averages 7% to 9% of total income.**

WATCH and MANAGE These Expenses Monthly to Assure <60% COGS and Gross Profit Margin >40%

Cost of Goods Section on the P&L

(All Direct Costs to Perform Trips Should Add Up to <60% of Income Generated)

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Cost of Goods Sold		
VARIABLE EXPENSES (COGS)		
FARMOUT COST		
FARMOUT COST FOA	96,460	2.7%
FARMOUT COST FOL	141,718	4.0%
FARMOUT EXPENSE	45,180	1.3%
Total FARMOUT COST	283,358	8.1%
DRIVER WAGES		
DRIVER SCHEDULE WAGES	12,798	0.4%
DRIVER WAGES	481,016	13.7%
DRIVER-INDEP CONTRACTOR	435	0.0%
Sub-Contractor Wages	0	0.0%
TLT GUIDE WAGES	0	0.0%
Total DRIVER WAGES	494,249	14.1%
NET DRIVER GRATUITIES		
DRIVER GRATUITIES PAID	569,872	16.2%
DRIVER GRATUITIES REV.	(545,444)	-15.5%
HALLSLEY HOPPER TIPS	3,610	0.1%
Total NET DRIVER GRATUITIES	28,038	0.8%
VEHICLE EXPENSES		
VEHICLE SALES TAX	13,851	0.4%
VEHICLE DAMAGE REPAIRS	5,257	0.1%
VEHICLE GASOLINE	269,348	7.7%
VEHICLE INSPECTION	941	0.0%
VEHICLE INSURANCE	151,649	4.3%
VEHICLE MAINTENANCE	136,673	3.9%
VEHICLE PARKING	4,776	0.1%
VEHICLE PPT	110,462	3.1%
VEHICLE REGISTRATION FEES	3,675	0.1%
VEHICLE TOLLS	3,674	0.1%
VEHICLE TV & INTERNET	0	0.0%
Total VEHICLE EXPENSES	700,305	19.9%
FEES		
MISC CUSTOMER ITEMS BILLED	(2,224)	-0.1%
MISC FEES	0	0.0%
RIC/MWAA TRANSPONDER FEES	16,532	0.5%
MSA/MC/AMEX FEES	116,006	3.3%
Total FEES	130,314	3.7%
SALES COMMISSIONS	28,794	0.8%
Total VARIABLE EXPENSES (COGS)	1,665,058	47.3%
VEHICLE INTEREST (LOANS)	19,126	0.5%
VEHICLE LEASE/RENT/DEPR.		
VEHICLE LEASE EXPENSE	22,332	0.6%
VEHICLE S/L DEPR EXP.	322,271	9.2%
VEHICLE RENTAL	0	0.0%
Total VEHICLE LEASE/RENT/DEPR.	344,603	9.8%
Total COGS	2,028,787	57.7%
Gross Profit	1,487,960	42.3%

OUR TEST FOR "Is it a Cost of Goods?"

Ask This Question of the Expense: Do you need the expense to turn the key and do the trip?



OR Can actual trips be physically performed without this expense or function existing?

Gross Profit Margin: The 2nd Metric We Look At

(After Reformatting the P&L Into a DCOGS Format Should be >40%)

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1st Financial Health Indicator: Income growth from prior measured period* (revenue growth is less important than improved profitability)

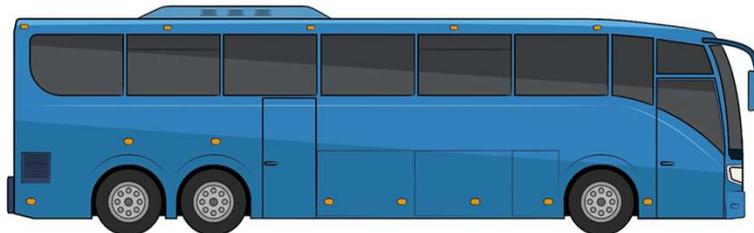
2nd Financial Health Indicator: Gross Profit Margin >40% of total income

If Gross Profit is lower than 30%, there's not enough left for overhead and profit.

*Gross Profit Margin is also called Net Contribution Margin: after paying ALL your direct costs, it is the leftover money to pay overhead and post a Net Profit from operations (Net Ordinary Income).

Gross Profit Margin Target >40% on a BLENDED Basis

(Current Trends We Are Observing in 2022 and YTD 2023)



Vehicle Type: Gross Margin Target

Luxury Sedans & SUVs >35%

High Top Vans >40%

Stretch Limousines >50%

Specialty Vehicles >50%

Limo Buses >50%

Mini-Buses >40% to 45%

Motorcoach (Charter) >45% to 50%*

Van-Shuttle Contracts >30%* (inc. Sup.)

Coach-Shuttle Contracts >35%* (inc. Sup)

* Daily/Contract Line Runs 30%

Accurate G&A Expenses/Overhead Expenses

(Ideally <30% Including Owner W-2 Income)

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Expense		
FIXED EXPENSES		
SALARIES/WAGES		
BONUS	108,977	3.1%
Employee Retention Credit	0	0.0%
GARAGE/MAINT WAGES	94,647	2.7%
OFFICE CONTRACTED WAGES	13,986	0.4%
OFFICE SALARIES	115,490	3.3%
OFFICE WAGES	160,758	4.6%
OWNER SALARIES/WAGES	120,713	3.4%
PPP Wages	0	0.0%
SALARIES/WAGES - Other	0	0.0%
Total SALARIES/WAGES	614,571	17.5%
Total BENEFITS/TAXES	236,606	6.7%
Total OFFICE SUPPLIES	10,289	0.3%
Total GARAGE SUPPLIES	23,409	0.7%
Total SUPPLIES	61,413	1.7%
Total MARKETING/ADV	45,204	1.3%
Total TRADE EXPENSE	32,110	0.9%
Total TRAVEL EXPENSE	22,759	0.6%
Total RENT	69,879	2.0%
Total UTILITIES/INSURANCE	54,805	1.6%
Total PROFESSIONAL FEES	10,590	0.3%
Total FEES	41,550	1.2%
Total BUILDING/EQUIPMENT REPAIR	12,812	0.4%
Total PERSONAL PROPERTY TAXES	7,924	0.2%
Total Expense	1,213,151	34.5%
Net Ordinary Income	274,809	7.8%

General & Administrative Expenses:
same meaning as overhead expenses

- Labor By Department/Function
- Track Rez./Dispatch Expenses
- Track Owner W-2 Separately
- Track Expenses By Department/Function

Owners should be compensated with consistent W-2 income weekly, NOT just year-end distributions.

Financially Healthy P&L Statement

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Income growth over prior period of 5% to 10%

Cost of Goods Total <60%

Gross Profit Margin >40%

G&A Expense Total <30% (including owner W-2 income)

Net Profit from the operation >10% (best we have observed is 18%)

Q. What happens if you reformat your P&L and these are NOT your metrics?

Q. Once your P&L is in this industry COGS format, now what?

Use Your COGS Formatted P&L For Budgeting

(Once You Have at Least 12 Months of Accurate Numbers, You Can Forecast, Adjust, Correct, and Plan)

2023 MONTHLY PROFIT & LOSS	2022	% of	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	2023	% of	Sep	Oct	Nov	Dec	2023	% of	% of Rev	\$ Variance	
	Full Year	Rev									YTD	Rev					Forecast	Rev	'23 - '22	'23 - '22	
Ordinary Income/Expense			133,938	151,512	225,875	336,508	331,678	355,066	288,585	309,185	2,132,346		345,713	384,931	292,805	360,953	3,516,747				
Income			218%	173%	137%	104%	114%	105%	98%	84%	118%		100%	100%	100%	100%	111%				
Total Income	3,516,747		292,551	262,137	308,681	350,464	378,591	374,244	283,890	259,804	2,510,362		345,713	384,931	292,805	360,953	3,894,763			10.7%	
Cost of Goods Sold																					
Total COGS	2,028,787	57.7%	169,369	144,817	173,148	182,535	175,538	216,035	163,906	159,896	1,385,243	55.2%	193,180	213,102	166,305	200,921	2,158,750	55.4%	-2.3%	6.4%	
Gross Profit	1,487,960	42.3%	123,182	117,320	135,533	167,929	203,053	158,209	119,983	99,908	1,125,119	44.8%	152,533	171,830	126,500	160,031	1,736,013	44.6%	2.3%	16.7%	
Expense																					
Total Expense	1,213,151	34.5%	127,181	89,505	110,510	99,093	104,322	105,672	95,942	103,503	835,727	33.3%	108,358	116,929	96,796	231,689	1,389,499	35.7%	1.2%	14.5%	
Net Ordinary Income	274,809	7.8%	(3,999)	27,816	25,024	68,836	98,731	52,537	24,042	(3,594)	289,392	11.5%	44,174	54,901	29,704	(71,657)	346,514	8.9%	1.1%	26.1%	
Other Income/Expense																					
Net Other Income/Expense	288,818	8.2%	34	31	26	9	21	25	25	39	209	0.0%	0	0	0	0	209	0.0%	-8.2%	-99.9%	
Net Income	563,627	16.0%	(3,965)	27,846	25,050	68,845	98,752	52,562	24,067	(3,556)	289,601	11.5%	44,174	54,901	29,704	(71,657)	346,723	8.9%	-7.1%	-38.5%	
EBITDA	617,996	17.6%	25,255	57,480	54,704	102,590	129,667	85,909	53,949	25,768	535,323	21.3%	78,043	92,611	58,389	(36,296)	728,070	18.7%	1.1%	17.8%	



Once You Have 12 Recent Months of Financial Performance Formatted Properly on Your P&L:

- You have accurate financial trends and expense averages to develop a forecast of your next 12 months.
- **Your only unknown is monthly income, which you can accurately project based on looking at same month last year.**
- Develop a budget in EXCEL with a PIVOT, which allows a plus/minus revenue adjustment in real time.
- This along with accurate P&Ls will give you financial data to be traditionally bankable with your local bank.

KPIs You Should Measure and Manage Monthly From Your Properly Formatted P&L

2022 MONTHLY PROFIT & LOSS	2022	% of Rev	MAJOR GOALS
	Full Year		
Ordinary Income/Expense	3,860,555		
<u>Income</u>	91%		5% to 10% Profitable Growth (over past period)
Total Income	3,516,747		
<u>Cost of Goods Sold</u>			
Total COGS	2,028,787	57.7%	<60% of income
Gross Profit	1,487,960	42.3%	>40% of income
<u>Expense</u>			
Total Expense	1,213,151	34.5%	<30% income
Net Ordinary Income	274,809	7.8%	>10% of income
<u>Other Income/Expense</u>			
Net Other Income/Expense	288,818	8.2%	
Net Income	563,627	16.0%	
EBITDA	617,996	17.6%	>15% of income
Adjusted EBITDA	655,799	18.6%	

Additional Critical Data Points to Manage/Measure Monthly

All Major Cost of Goods Expenses Categories:

- Driver Labor and Overtime!!! (kills profits)
- Fuel (2% to 4% over costs should be your surcharge)
- Repair/Maintenance (increases with fleet age/soft cost of "VD")
- Fleet Insurance (get ahead of this mid-year for NEXT)
- Rez./Dispatch Labor as a % of Income (reduce with technology FIRST)
- Total ALL LABOR as a % of Income, Labor by Function (outsource/automate)

QUESTIONS SO FAR?

- Are we clear on the purpose of this format P&L?
- Do we know what should be in the Cost of Goods section?
- Are we clear on the importance of knowing **GROSS PROFIT per service?**
- Are we clear on a target of **>10% NET PROFIT from day-to-day operations?**

Best Practices for Formatting your Balance Sheet

What a healthy balance sheet looks like and what banks want to see.

The Balance Sheet: provides a snapshot of business assets, liabilities, and equity at a single point in time. It's called a Balance Sheet because the two sides of the equation below must always be balanced.

Your Balance Sheet documents and analyzes what a company owns and what it owes at a given point in time. Normally it is produced annually or semi-annually or as an interim report if requested by lenders (or buyers).

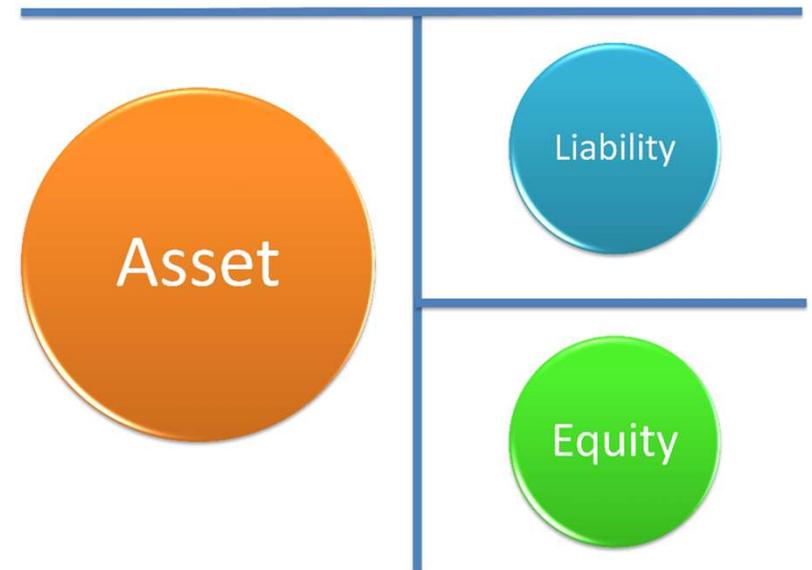
Sections of the Balance Sheet:

Assets-Current Assets: bank accounts, accounts receivable, prepaid expenses, cash, or easily converted into cash
Fixed Assets: vehicles, equipment, machinery, buildings

Liabilities-Current Liabilities: accounts payable, credit cards, and any payable that is due within the next twelve months and not yet paid for
Long-term Liabilities: long-term loans, vehicle loans

Shareholder Equity-Retained Earnings, Issued Stock, Net Income

BALANCE SHEET



Formatting Your Balance Sheet

What a Healthy Balance Sheet Looks Like and What Banks Want to See

YEAR-END BALANCE SHEETS	2019 12/31 B.S.	2020 12/31 B.S.	2021 12/31 B.S.	2022 12/31 B.S.	Current 2023 6/30 B.S.	Notes/Recommendations:	
Assets							
Current Assets							
Total Current Assets	22,669	21,874	85,446	97,709	285,937	}	
Fixed Assets							
Total Fixed Assets	721,465	785,603	1,525,829	2,166,816	2,249,641		
Other Assets							
Total Other Assets	0	0	(1,109,925)	0	0	}	
Total Assets	744,134	807,477	501,350	2,264,525	2,535,578		
Liabilities & Equity							
Liabilities							
Total Current Liabilities	84,306	334,736	190,752	433,174	378,791	}	
Total Long Term Liabilities	318,008	336,011	612,492	575,251	552,689		
Total Liabilities	402,315	670,747	803,244	1,008,425	931,480	}	
Equity							
Total Equity	362,819	150,730	(301,893)	1,256,099	1,604,098		
Total Liabilities & Equity	765,134	821,477	501,350	2,264,525	2,535,578		
Current Ratio (Liquidity)	0.269	0.065	0.448	0.226	0.755	Above 1	
Debt to Income Ratio	0.275	1.025	0.233	0.189		Below 0.30	
Debt to Asset Ratio	0.541	0.831	1.602	0.445	0.367	Below 1	
Debt to Equity Ratio	1.109	4.450	(2.661)	0.803	0.581	Below 1	
Debt not assigned to specific fleet assets	-	-	-	-	0	Near Zero	

5,334,763

EIDLs Impact New Vehicle Loans

Best Practices for Formatting Your Balance Sheet

Create an Account for each Fixed Asset with a Counter Liability Account

YEAR-END BALANCE SHEETS		2019	2020	2021	2022	Current
		12/31 B.S.	12/31 B.S.	12/31 B.S.	12/31 B.S.	2023 6/30 B.S.
30	Fixed Assets					
31						
114	Total Fixed Assets	721,465	785,603	1,525,829	2,166,816	2,249,641
Liabilities & Equity						
Liabilities						
	Total Current Liabilities	84,306	334,736	190,752	433,174	378,791
	Long Term Liabilities					
	24300 · Bank One- 2016 Cadillac Vin #1235	28,494	25,494	0	17,718	17,718
	24400 · Santander 2017 Ford Mini Vin #7890	65,407	52,411	0	739	739
	24700 · Sterling Bank 2018 Ford LB Vin # 2187	106,231	106,231	0	73,097	73,097
	24800 · Sterling Bank -2018 Ford Mini Vin#9865	96,877	94,468	0	36,302	21,717
	24911 · North Capital- 2019 MKT Vin #6543	21,000	14,000	7,220	2,694	0
	24911 · Advantage Cap. 2018 Ford Van Vin # 5324	0	41,484	0	0	0
	24912 · Advantage Cap. 2018 Ford Van Vin # 4617	0	1,924	0	0	0
	24918 · TCF Bank	0	0	0	89,488	71,222
	24919 · Tesla Motors T3 Vin #8745	0	0	0	61,106	53,551
	24920 · Tesla Motors T3 Vin #8754	0	0	0	65,997	54,307
	24921 · Wellsfargo-Tesla Model X Vin # 2122	0	0	0	87,030	76,373
	24922 · Summit Capital Grech Vin # 2563	0	0	0	141,079	125,123
	24926 · ZEEM Capital Credit Line	0	0	0	0	58,842
	Total Long Term Liabilities	318,008	336,011	612,492	575,251	552,689
	Total Liabilities	402,315	670,747	803,244	1,008,426	931,480

Fleet Vehicles
Net Equity Equation

Best Practices for Keeping an Updated Debt Schedule

6/30/2023

DEBT SCHEDULE

Creditor Name	Line, Loan, Lease	Line, Loan, or Lease	Original Date	Original Amount	Balance	New Full Payment	Extended Maturity Date	Interest Rate
Lincoln Automotive Co	50957872	Loan	2/8/2021	54,211	25,535	1,334	2/8/2025	5.02%
Lincoln Automotive Co	40957632	Loan	2/8/2021	54,211	25,535	1,334	2/8/2025	5.02%
Lincoln Automotive Co	40957859	Loan	2/8/2021	54,211	25,535	1,334	2/8/2025	5.02%
Lincoln Automotive Co	30957662	Loan	2/8/2021	54,211	25,535	1,334	2/8/2025	5.02%
Lincoln Automotive Co	30957649	Loan	2/8/2021	54,211	25,535	1,334	2/8/2025	5.02%
Lincoln Automotive Co	30957679	Loan	2/8/2021	54,211	25,535	1,334	2/8/2025	5.02%
Lincoln Automotive Co	30957638	Loan	2/8/2021	54,211	25,535	1,334	2/8/2025	5.02%
Ford Motor Co	91135160	Loan	4/26/2021	53,985	41,714	1,892	4/26/2025	3.99%
Ford Motor Co	91272936	Loan	6/21/2021	53,985	43,463	1,892	6/21/2025	3.99%
Ford Motor Co	87413080	Loan	8/24/2021	53,985	46,939	1,892	8/24/2025	3.99%
Ford Motor Co	98412957	Loan	8/24/2021	53,985	47,502	1,892	8/24/2025	3.99%
Ford Motor Co	21976221	Loan	9/30/2021	53,985	50,298	1,904	9/30/2025	3.99%
Lincoln-Mercury Inc	64723999	Loan	11/23/2021	36,951	29,806	1,453	12/7/2025	7.15%
Lincoln-Mercury Inc	27462611	Loan	11/23/2021	36,951	29,806	1,451	12/7/2025	7.08%
Lincoln-Mercury Inc	36125151	Loan	11/23/2021	36,951	29,806	1,451	12/7/2025	7.08%
Lincoln-Mercury Inc	26262621	Loan	11/23/2021	36,951	29,806	1,451	12/7/2025	7.08%
EIDL		Loan	2/1/2021	1,200,000	1,098,000	-	2/1/2052	3.75%
				1,997,206	1,625,885	24,613		

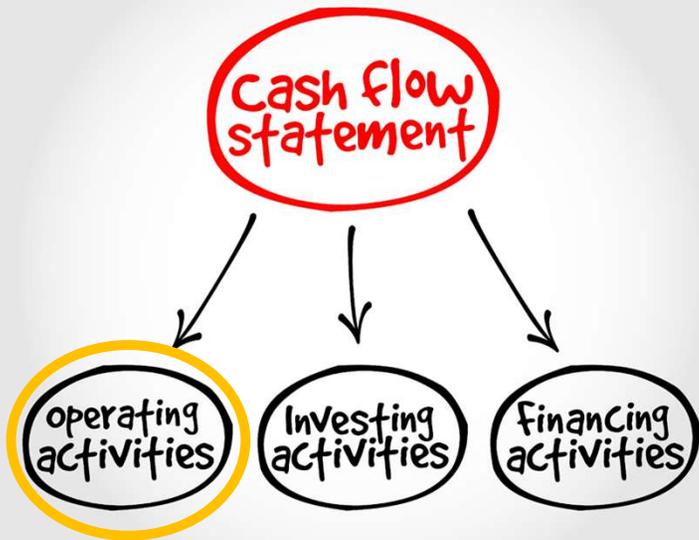
At any given time, know what you owe.

What, to whom, at what interest rate, when payments are due.

When loans or leases will be paid off, and what's the plan with each asset?

Monthly Cash Flow Statement

Calculating Positive or Negative Cash Flow from Operations



This one figure gives you a clear picture of how your business is doing financially from core operations.

- **A positive operating cash flow** indicates your business has enough money to sustain and grow.
- **Consistent negative cash flow** means that you're unable to cover your expenses unless you borrow money, cut expenses, or raise additional capital.

Calculating Positive or Negative Cash Flow

1) Direct Method:

Operating Cash Flow = Total Revenue - COGS - G&A Expenses

2) Indirect Method: (Used by Banks)

**Operating Cash Flow = Net Income + Depreciation - Taxes
+/- Change in Working Capital**

QUESTIONS SO FAR?

- **Balance Sheets WITH lending ratios should be updated QUARTERLY.**
- **Debt Schedules/Depreciation Schedule per vehicle MONTHLY.**
- **Cash Flow Statements: Direct Method calculation MONTHLY.**

Operational KPIs

(Using Data from Your Formatted P&L and Reservation System)

- Reservation cost per trip – Rez. expense on P&L /reservations taken
- Dispatch cost per trip – Dispatch expense on P&L/trips performed

Total Sales	2,360,362	
Total Income	2,360,362	
Cost of Goods Sold		
Total COGS	1,484,427	62.9%
Gross Profit	875,935	37.1%
National Farm Out Gross Profit	239,366	33.6%
Local Farm Out Gross Profit	356,305	44.3%
Local In-House Fleet Gross Profit	280,264	33.2%
Dispatch&Reservation Wages		
Dispatch&Reservation Salaries	94,697	4.0%
P\R Taxes-Dispatch&Reservation	8,348	0.4%
Total Dispatch&Reservation Wages	103,045	4.4%
Gross Profit After D&R	772,889	32.7%

We find that these expenses are typically 4% to 6% of total income.

Per transaction/trip they can be between \$12 to \$18 TOTAL per trip.

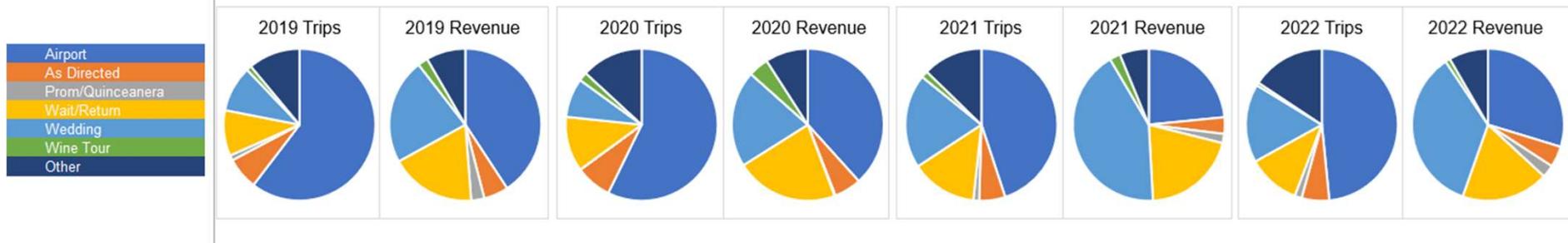
GOALS:

1. Use technology for as much reservations intake as possible.
(why no favorites or no stored past transactions in an app etc.)
(why no semi-auto dispatch at least tracking elements of the trip)
2. Manage this labor to do MORE with LESS expense.
 - ✓ Manage higher ticket sales/trips
 - ✓ Push all vanilla trips to an app or a booking tool
- 3. Automate >35% order intake and dispatch functions.**
4. Managing these metrics is the first step.

Critical KPI Data from Your Reservation Software

(What Types of Trips and Client Types Are Trending Year After Year?)

REVENUE & TRIPS BY TYPE	2019		2019		Revenue Per Trip	2020		2020		Revenue Per Trip	2021		2021		Revenue Per Trip	2022		2022		% Variance 2022 - 2019			
	Trips	% of Total Trips	Revenue	% of Total Revenue		Trips	% of Total Trips	Revenue	% of Total Revenue		Trips	% of Total Trips	Revenue	% of Total Revenue		Trips	% of Total Trips	Revenue	% of Total Revenue	Trips	Revenue	Rev Per Trip	
Airport	4,309	60.4%	1,065,631	40.7%	247.30	1,254	57.3%	296,573	38.3%	236.50	1,842	44.9%	484,275	23.4%	262.91	2,927	48.4%	916,603	29.7%	313.15	-32.1%	-14.0%	26.6%
As Directed	489	6.9%	137,009	5.2%	280.18	168	7.7%	44,692	5.8%	266.02	227	5.5%	72,939	3.5%	321.32	355	5.9%	137,873	4.5%	388.37	-27.4%	0.6%	38.6%
Prom/Quinceanera	79	1.1%	73,051	2.8%	924.70	1	0.0%	1,575	0.2%	1,575.00	51	1.2%	40,507	2.0%	794.25	91	1.5%	83,351	2.7%	915.94	15.2%	14.1%	-0.9%
Wait/Return	693	9.7%	476,760	18.2%	687.97	256	11.7%	168,777	21.8%	659.29	577	14.1%	418,225	20.2%	724.83	675	11.2%	572,079	18.5%	847.52	-2.6%	20.0%	23.2%
Wedding	698	9.8%	587,807	22.5%	842.13	182	8.3%	158,953	20.5%	873.37	821	20.0%	875,974	42.4%	1,066.96	1,009	16.7%	1,085,847	35.2%	1,076.16	44.6%	84.7%	27.8%
Wine Tour	77	1.1%	56,694	2.2%	736.28	41	1.9%	33,368	4.3%	813.86	60	1.5%	47,377	2.3%	789.62	39	0.6%	32,164	1.0%	824.71	-49.4%	-43.3%	12.0%
Other	789	11.1%	218,853	8.4%	277.38	288	13.2%	70,530	9.1%	244.89	522	12.7%	128,498	6.2%	246.16	948	15.7%	258,167	8.4%	272.33	20.2%	18.0%	-1.8%
Year Total	7,134		2,615,805		366.67	2,190		774,468		353.64	4,100		2,067,795		504.34	6,044		3,086,083		510.60	-15.3%	18.0%	39.3%

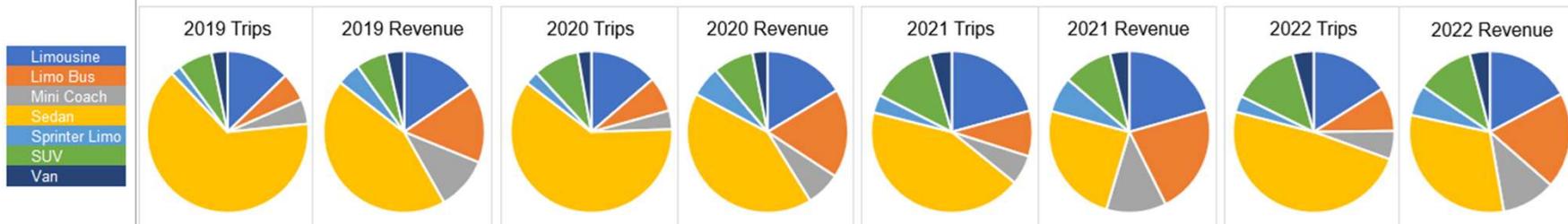


- **Trip Type Trends:** Are you growing low-margin airports or a nice blend of trip types to boost your gross profit margins?
- **Quality of Revenue Trends:** What types of clients—lots of your own corporate/private clients or in-bound affiliates?

Asset Production/Utilization KPIs

(Measured by Vehicle Types and Down to the Actual Unit)

REV. & TRIPS BY VEHICLE	2019				2020				2021				2022				% Variance 2022 - 2019						
	Trips	% of Total Trips	Revenue	% of Total Revenue	Revenue Per Trip	Trips	% of Total Trips	Revenue	% of Total Revenue	Revenue Per Trip	Trips	% of Total Trips	Revenue	% of Total Revenue	Revenue Per Trip	Trips	% of Total Trips	Revenue	% of Total Revenue	Revenue Per Trip	Trips	Revenue	Rev Per Trip
Limousine	901	12.5%	386,960	14.8%	429.48	297	13.4%	123,433	15.9%	415.60	804	19.5%	361,324	17.5%	449.41	922	15.3%	462,183	15.0%	501.28	2.3%	19.4%	16.7%
Limo Bus	400	5.6%	393,188	15.0%	982.97	153	6.9%	134,323	17.3%	877.93	354	8.6%	385,981	18.7%	1,090.34	503	8.3%	515,849	16.7%	1,025.54	25.8%	31.2%	4.3%
Mini Coach	356	5.0%	265,956	10.2%	747.07	82	3.7%	52,191	6.7%	636.47	229	5.6%	210,214	10.2%	917.97	327	5.4%	290,551	9.4%	888.54	-8.1%	9.2%	18.9%
Sedan	4,566	63.5%	1,094,435	41.8%	239.69	1,322	59.8%	313,332	40.5%	237.01	1,668	40.5%	430,787	20.8%	258.27	2,788	46.1%	835,700	27.1%	299.75	-38.9%	-23.6%	25.1%
Sprinter Limo	142	2.0%	117,230	4.5%	825.56	60	2.7%	46,063	5.9%	767.71	140	3.4%	124,840	6.0%	891.71	188	3.1%	165,329	5.4%	879.41	32.4%	41.0%	6.5%
SUV	487	6.8%	157,706	6.0%	323.83	199	9.0%	61,034	7.9%	306.70	507	12.3%	173,178	8.4%	341.57	775	12.8%	306,693	9.9%	395.73	59.1%	94.5%	22.2%
Van	228	3.2%	88,034	3.4%	386.11	59	2.7%	22,563	2.9%	382.43	170	4.1%	67,399	3.3%	396.46	242	4.0%	108,295	3.5%	447.50	6.1%	23.0%	15.9%
Other	110	1.5%	112,296	4.3%	1,020.87	39	1.8%	21,530	2.8%	552.05	251	6.1%	314,073	15.2%	1,251.29	299	4.9%	401,483	13.0%	1,342.75	171.8%	257.5%	31.5%
TOTAL	7,190		2,615,805		363.81	2,211		774,468		350.28	4,123		2,067,795		501.53	6,044		3,086,083		510.60	-15.9%	18.0%	40.3%



- What Assets Are Moving: **Low-margin sedans** or a nice blend of larger vehicles for a higher gross profit margin?
- How Is Each Asset Performing: Earning industry average revenue? More production available?

Asset Production/Utilization KPIs

(Measured by Down to the Actual Unit)

How Is Each Asset Performing: Earning industry average revenue? More production available?

VEHICLE INDUSTRY COMPARISON	2022	% of Total	2022	% of Total	Revenue Per Trip	Industry Average Revenue			Comparison	Comparison	Comparison
	Trips	Trips	Revenue	Revenue		Low	Mid	High	Low	Mid	High
2023 CHEVROLET/Suburban	50	0.5%	10,161	0.4%	203.21	135,000	150,000	165,000	7.5%	6.8%	6.2%
2022 CHEVROLET/Suburban	5	0.1%	1,170	0.0%	234.00	135,000	150,000	165,000	0.9%	0.8%	0.7%
2022 CHEVROLET/Suburban	200	2.2%	44,336	1.7%	221.68	135,000	150,000	165,000	32.8%	29.6%	26.9%
2022 CHEVROLET/Suburban	171	1.8%	36,040	1.4%	210.76	135,000	150,000	165,000	26.7%	24.0%	21.8%
2022 CHEVROLET/Suburban	555	6.0%	118,638	4.6%	213.76	135,000	150,000	165,000	87.9%	79.1%	71.9%
2022 CHEVROLET/Suburban	657	7.1%	132,623	5.1%	201.86	135,000	150,000	165,000	98.2%	88.4%	80.4%
2022 CHEVROLET/Suburban	761	8.2%	155,682	6.0%	204.58	135,000	150,000	165,000	115.3%	103.8%	94.4%
2022 CHEVROLET/Suburban	863	9.3%	179,374	7.0%	207.85	135,000	150,000	165,000	132.9%	119.6%	108.7%
	734	7.9%	154,218	6.0%	210.11	135,000	150,000	165,000	114.2%	102.8%	93.5%
2022 CHEVROLET/Suburban	751	8.1%	159,031	6.2%	211.76	135,000	150,000	165,000	117.8%	106.0%	96.4%
	289	3.1%	47,893	1.9%	165.72	135,000	150,000	165,000	35.5%	31.9%	29.0%
2019 CHEVROLET/Suburban	446	4.8%	84,239	3.3%	188.88	135,000	150,000	165,000	62.4%	56.2%	51.1%
2019 CHEVROLET/Suburban	445	4.8%	85,996	3.3%	193.25	135,000	150,000	165,000	63.7%	57.3%	52.1%
2018 CHEVROLET/Suburban	405	4.4%	73,007	2.8%	180.26	135,000	150,000	165,000	54.1%	48.7%	44.2%
2021 FORD/E-450	315	3.4%	160,667	6.2%	510.06	135,000	150,000	165,000	119.0%	107.1%	97.4%
2020 Mercedes-Benz/Sprinter	557	6.0%	197,992	7.7%	355.46	135,000	150,000	165,000	146.7%	132.0%	120.0%
	310	3.3%	222,597	8.6%	718.05	135,000	150,000	165,000	164.9%	148.4%	134.9%
2015 FORD/E-450	306	3.3%	191,842	7.4%	626.93	135,000	150,000	165,000	142.1%	127.9%	116.3%
2017 FORD/Transit	484	5.2%	170,985	6.6%	353.27	135,000	150,000	165,000	126.7%	114.0%	103.6%
2015 FORD/Transit	504	5.4%	187,650	7.3%	372.32	135,000	150,000	165,000	139.0%	125.1%	113.7%
2016 FORD/Transit	457	4.9%	161,414	6.3%	353.20	135,000	150,000	165,000	119.6%	107.6%	97.8%
Year Total	9,265		2,575,554		277.99	3,240,000	3,600,000	3,960,000	79.5%	71.5%	65.0%
						664,446	1,024,446	1,384,446	20.5%	28.5%	35.0%

Creating A Financial/Accounting Calendar

FY 2023

January							February							March						
S	M	T	W	R	F	S	S	M	T	W	R	F	S	S	M	T	W	R	F	S
				1	2		1	2	3	4	5	6		1	2	3	4	5	6	
3	4	5	6	7	8	9	7	8	9	10	11	12	13	7	8	9	10	11	12	13
10	11	12	13	14	15	16	14	15	16	17	18	19	20	14	15	16	17	18	19	20
17	18	19	20	21	22	23	21	22	23	24	25	26	27	21	22	23	24	25	26	27
24	25	26	27	28	29	30	28							28	29	30	31			
31																				

April							May							June						
S	M	T	W	R	F	S	S	M	T	W	R	F	S	S	M	T	W	R	F	S
				1	2	3						1			1	2	3	4	5	
4	5	6	7	8	9	10	2	3	4	5	6	7	8	6	7	8	9	10	11	12
11	12	13	14	15	16	17	9	10	11	12	13	14	15	13	14	15	16	17	18	19
18	19	20	21	22	23	24	16	17	18	19	20	21	22	20	21	22	23	24	25	26
25	26	27	28	29	30		23	24	25	26	27	28	29	27	28	29	30			
							30	31												

July							August							September							
S	M	T	W	R	F	S	S	M	T	W	R	F	S	S	M	T	W	R	F	S	
				1	2	3						1						1	2	3	4
4	5	6	7	8	9	10	1	2	3	4	5	6	7	5	6	7	8	9	10	11	
11	12	13	14	15	16	17	8	9	10	11	12	13	14	12	13	14	15	16	17	18	
18	19	20	21	22	23	24	15	16	17	18	19	20	21	19	20	21	22	23	24	25	
25	26	27	28	29	30	31	22	23	24	25	26	27	28	26	27	28	29	30			
							29	30	31												

October							November							December						
S	M	T	W	R	F	S	S	M	T	W	R	F	S	S	M	T	W	R	F	S
				1	2		1	2	3	4	5	6					1	2	3	4
3	4	5	6	7	8	9	7	8	9	10	11	12	13	5	6	7	8	9	10	11
10	11	12	13	14	15	16	14	15	16	17	18	19	20	12	13	14	15	16	17	18
17	18	19	20	21	22	23	21	22	23	24	25	26	27	19	20	21	22	23	24	25
24	25	26	27	28	29	30	28	29	30					26	27	28	29	30	31	
31																				

Business Activities Legend

Accounting and Bookkeeping	
<input type="checkbox"/>	- Bill Pay - Staging /
<input type="checkbox"/>	- Bill Pay - Payment Release (Management Team) /
<input type="checkbox"/>	- Credit Card Statements Available /
<input type="checkbox"/>	- Employee Reimbursable Expenses Due /
<input type="checkbox"/>	- Invoicing /
<input type="checkbox"/>	- Fiscal Close - Soft /
<input type="checkbox"/>	- Fiscal Close - Hard /
<input type="checkbox"/>	- Tax Prep /
<input type="checkbox"/>	- Tax Filing /

Finance & Capital Planning	
<input type="checkbox"/>	- Financial Statements Completed /
<input type="checkbox"/>	- Bank Covenant Requirement /
<input type="checkbox"/>	- LOC Payments Due /
<input type="checkbox"/>	- Credit Cards Due /

Annual Strategic Business Cycle	
<input type="checkbox"/>	- Monthly ELT Finance Meeting /
<input type="checkbox"/>	- Monthly ELT Strategy Meeting /
<input type="checkbox"/>	- AOP Budget /
<input type="checkbox"/>	- AOP Updated Forecast /
<input type="checkbox"/>	- LRP 5 - Year Plan /
<input type="checkbox"/>	- Annual Employee Reviews /
<input type="checkbox"/>	- Employee Reward Letters /

1. Create a template (see left).
2. Understand tax and payables deadlines.
3. Understand bank/credit card statement dates.
4. Create a date to close previous month's financials.
5. Put it together.
6. Reflect/adjust as needed.

- Close out and bill trips consistently.
- Close and produce financials consistently.
- Set a day of the month for financial review.

NOT Doing This Leads to Bad Business Credit Scores – D&B – “SLOW PAY”

Implementing a Monthly Financial Reporting/Management Program

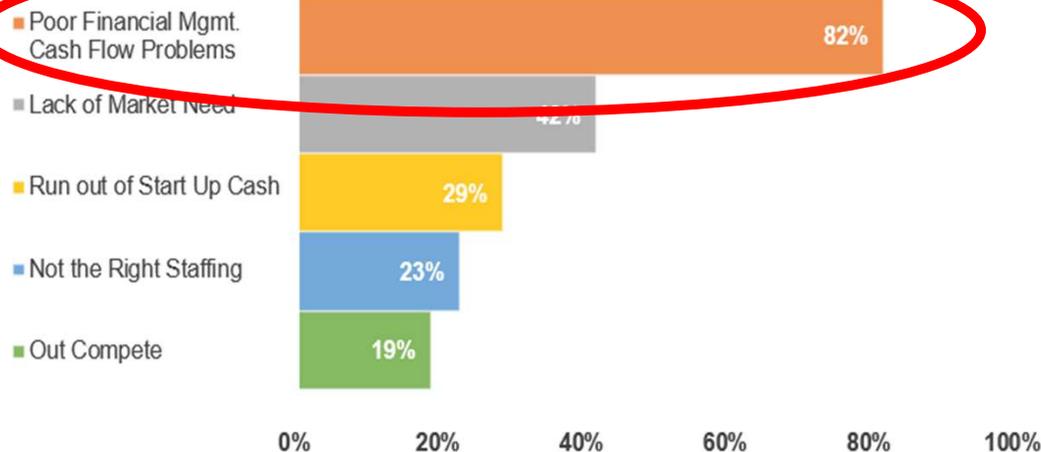
Implementing Financial Statements Formatted for Our Industry:

- ✓ Industry-Tailored Chart of Accounts
- ✓ Industry-Formatted P&L Template
- ✓ Know What Healthy P&L Financial Metrics Look Like

1. Hire a competent bookkeeper who knows QB/QBOL and give them this session presentation.
 2. Have the discipline to produce, review, and manage them monthly (calendar) with your team.
 3. Commitment to reviewing, adjusting, and course-correcting what you initially find.
 4. Create a “*dead-on*” accurate budget forecast for 2024 with a live pivot to adjust in real time.
- Once this is set up, it takes 3 to 5 hours to update an analysis package.
 - Investing accurate financial reporting and management tools saves 5x annual compared to the expense.

WHY This Is a MUST DO, Not a SHOULD DO

WHY SMALL BUSINESSES FAIL



- 50% of Small Businesses **FAIL** within 5 years.
- 66% don't make it to their 7th Year.
- Only 20% make it to their 10th Year.

Caution-

Just because your business is 10+ years old it does not mean your financial house is in order.

85% of companies we review are NOT financially prepared to Grow, Borrow, Buy or Sell.

Thank you for your time and attention. I hope I added some value today.
Please email me for copies of this session and template examples:
Klucci@drivingyourincome.com

Let us know how we did!





Thank you for joining us!