



# WHEN CAN I AFFORD TO EXPAND?

## 10 STEPS TO SMARTER GROWTH



THE  
BOOKKEEPING  
COMPANY  
OF NEW YORK CITY

**Evan Horowitz Advising**  
grow your business faster with a Harvard MBA on your team



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# What we'll cover

- Intros
- 10 Steps to Know When to Expand
  - Assessing current financial health
  - Using the past to get insight into the future
  - Budgeting for investment
  - Finding & funding the best ROI opportunities
- Q&A



# Evan Horowitz, Business Advisor

I empower entrepreneurs to  
**grow their businesses faster & smarter**

I'm a **"personal trainer for business,"**  
turning entrepreneurs into smarter CEOs



## Background

- MBA from Harvard
- 10+ years of experience achieving extraordinary growth in \$200+ million businesses
  - Companies such as Samsung, Macy's, Walmart, Costco, Best Buy
  - Managed marketing, operations, HR, and finances

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# Mathew Heggem, CEO, TBCNYC

## We design & implement accounting solutions

*We will work with you to build a solid foundation to help you maintain control, stay in compliance, and understand the value of your numbers.*

## Key Facts

- In business since 2001
- Team of 20 Accounting Professionals
- Bookkeeping, Controller, CFO and Consulting Services
- 350+ Businesses Served
- 250+ Bookkeepers Trained

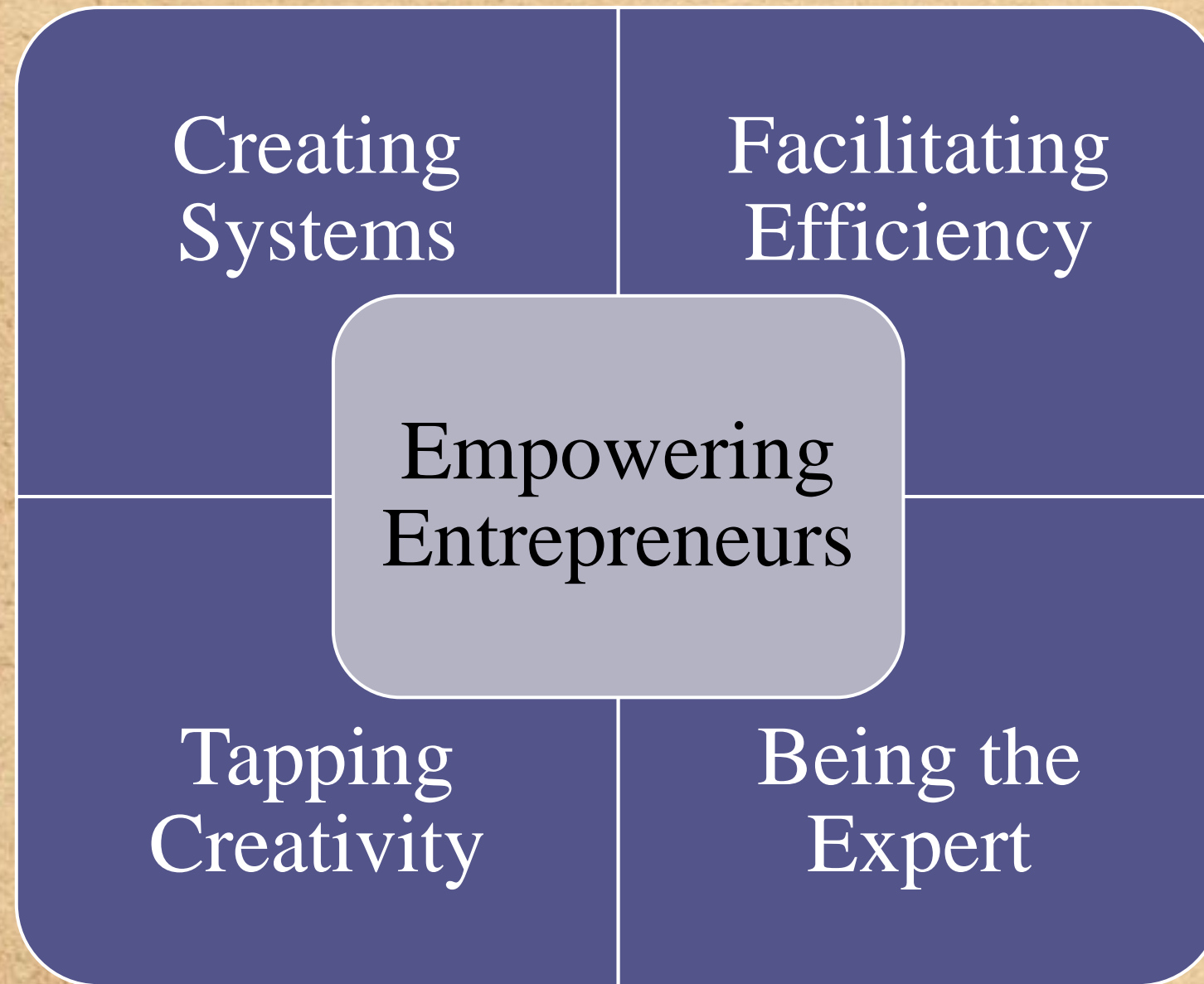


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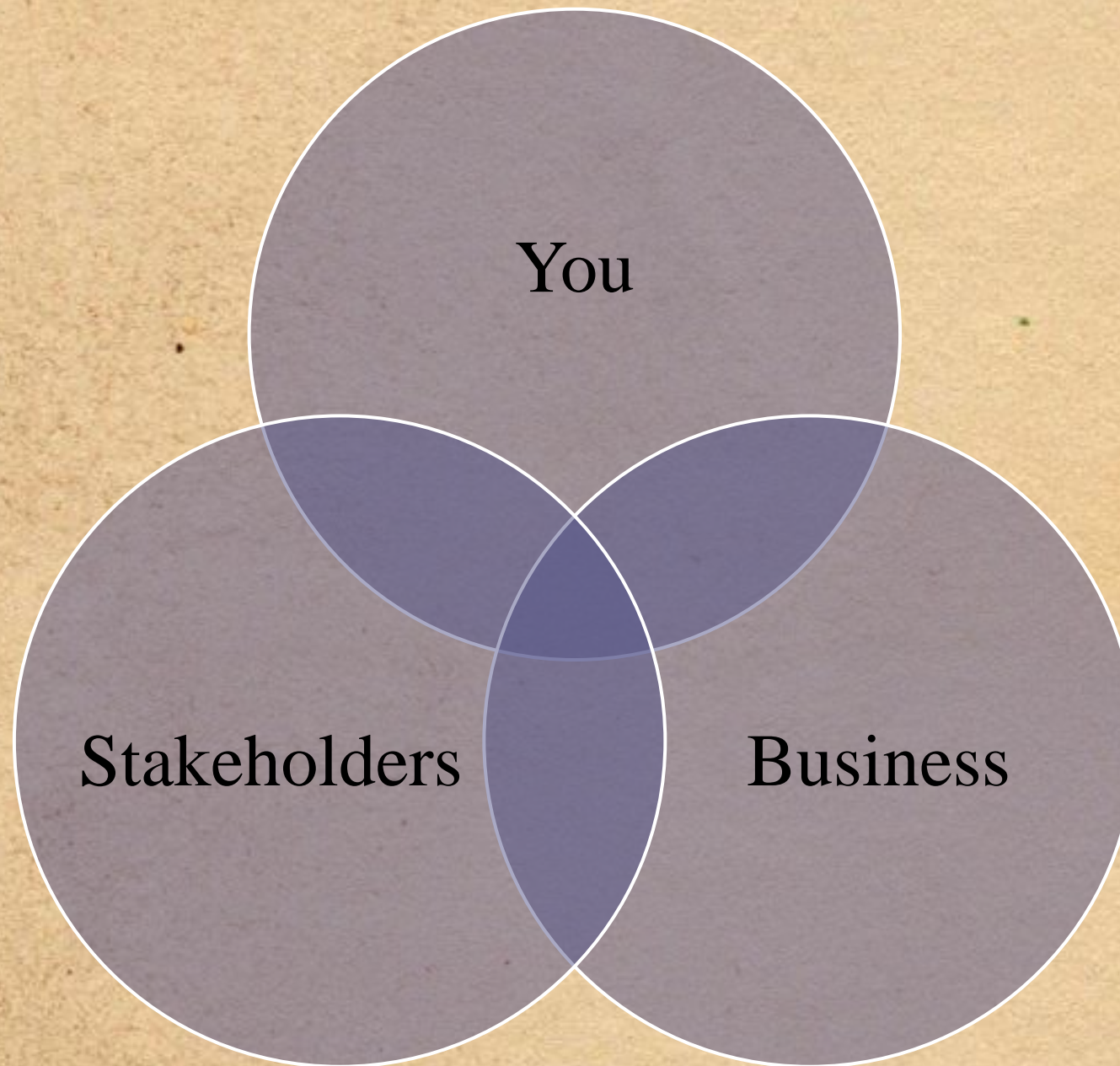
# Our philosophy...



**a.k.a. bookkeeping?!?!**



# #1: Define what healthy means to...





# #2: Understand the key statements.

## The Key Financial Statements

- Balance Sheet
- Income Statement
- Cash Flow Statement



## The Key Principles of...

- Garbage in, Garbage Out
- Details, details, & details
- A Solid Foundation

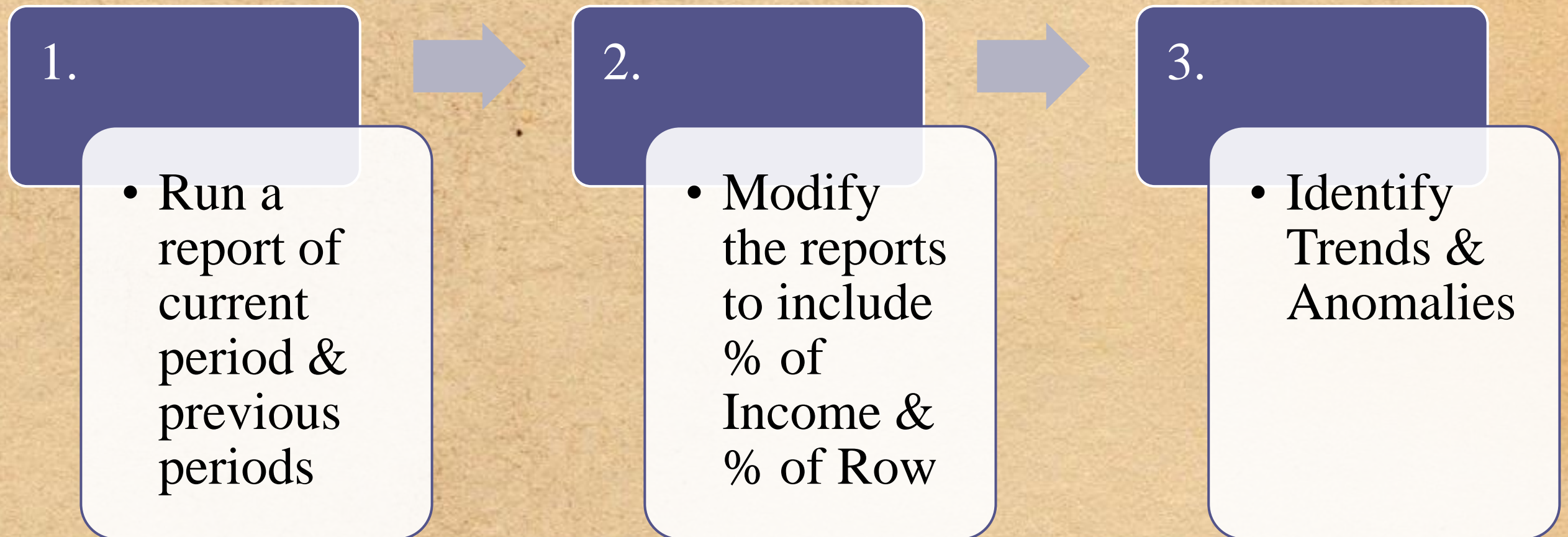
## The Key Questions

- What does this statement say about my business?
- How is it constructed?
- Does it accurately reflect my business?



# #3: Identify Trends & Anomalies

*It's as easy as...*





# #3: Identify Trends & Anomalies

	Jan - Mar 17	% of Income	% of Row
<b>Ordinary Income/Expense</b>			
<b>Income</b>			
Class Revenue	0.00	0.0%	0.0%
Markup on Reimbursable Expenses	58.60	0.1%	12.5%
Reimbursed Exp. (Income)	586.00	0.8%	12.4%
<b>Revenue - Product</b>			
Book Sales	790.50	1.0%	23.9%
<b>Total Revenue - Product</b>	790.50	1.0%	23.9%
<b>Revenue - Service</b>			
Consulting Revenue	75,285.00	98.1%	21.6%
<b>Total Revenue - Service</b>	75,285.00	98.1%	21.6%
<b>Total Income</b>	76,720.10	100.0%	21.4%
<b>Cost of Goods Sold</b>			
Direct Labor (on payroll)	11,341.96	14.8%	22.2%
Freight in	108.00	0.1%	100.0%
Outside Consultants (1099)	13,000.00	16.9%	26.0%
<b>Product Costs</b>			
Cost of Books for Resale	395.25	0.5%	23.9%
<b>Total Product Costs</b>	395.25	0.5%	23.9%
<b>Reimbursable Expenses</b>	796.00	1.0%	13.8%
<b>Total COGS</b>	25,641.21	33.4%	23.6%
<b>Gross Profit</b>	51,078.89	66.6%	20.4%



# #3: Identify Trends & Anomalies

Ordinary Income/Expense	Jan - Mar 17	% of Income	% of Row	Apr - Jun 17	% of Income	% of Row
▼ Income						
Class Revenue	0.00	0.0%	0.0%	2,100.00	2.4%	100.0%
Markup on Reimbursable Expenses ▶	58.60 ◀	0.1%	12.5%	98.20	0.1%	20.9%
Reimbursed Exp. (Income)	586.00	0.8%	12.4%	1,010.00	1.1%	21.4%
▼ Revenue - Product						
Book Sales	790.50	1%	23.9%	1,069.50	1.2%	32.4%
Total Revenue - Product	790.50	1%	23.9%	1,069.50	1.2%	32.4%
▼ Revenue - Service						
Consulting Revenue	75,285.00	98.1%	21.6%	83,705.00	95.1%	24%
Total Revenue - Service	75,285.00	98.1%	21.6%	83,705.00	95.1%	24%
Total Income	76,720.10	100.0%	21.4%	87,982.70	100.0%	24.5%
▼ Cost of Goods Sold						
Direct Labor (on payroll)	11,341.96	14.8%	22.2%	12,268.95	13.9%	24%
Freight in	108.00	0.1%	100.0%	0.00	0.0%	0.0%
Outside Consultants (1099)	13,000.00	16.9%	26%	13,000.00	14.8%	26%
▼ Product Costs						
Cost of Books for Resale	395.25	0.5%	23.9%	534.75	0.6%	32.4%
Total Product Costs	395.25	0.5%	23.9%	534.75	0.6%	32.4%
Reimbursable Expenses	796.00	1%	13.8%	2,139.12	2.4%	37.2%
Total COGS	25,641.21	33.4%	23.6%	27,942.82	31.8%	25.8%
Gross Profit	51,078.89	66.6%	20.4%	60,039.88	68.2%	23.9%



# #4: Identify your key metrics...

Identifying the numbers that matter the most to  
You... Your business... Your stakeholders?

## INCOME STATEMENT

- Revenue Growth\*
- COGS\*
- Marketing & Sales\*
- Operating Expenses
- Gross Margin\*
- Fixed
- Variable
- Net Income\*
- Net Profit

## BALANCE SHEET

- Receivables\*
- Inventory
- Payables
- Current Ratio\*

... and track them!

Key Metrics	Period	Period	Period
Revenue Growth	+3%	+6%	-5%
Sales/Revenue	15%	20%	10%
Gross Margin	66.8%	67.2%	65%



# #5: Gearing up for Growth.





# #5 1/2 : Bridge the Better Gap.

*"Fix underlying processes  
& get a solid footing before  
you expand your business.  
Growth on an unstable  
foundation often ends in a  
faster crash landing."*

Budgets

Cash Flow

Internal Controls

Proper Usage of  
Accounting System



# #6: Make a “P&L Forecast”

Guesstimate the next 6-12 months.

“P&L” means  
“Profit & Loss”  
Statement

## LOOKING FORWARD

- Income you expect
- Expenses trend
- Make it by guesstimating





# #6: Make a “P&L Forecast”

“P&L” means  
“Profit & Loss”  
Statement

## Example: Gym with Personal Training

Income

Future  
Months

Expenses

Profit

Cash

PROFIT & LOSS STATEMENT -- Cash Basis						
	Jun	Jul	Aug	Sep	Oct	
<b>INCOME</b>						
Memberships	13,000	13,000	12,000	13,000	15,000	
Training Sessions	30,000	32,000	28,000	26,000	28,000	
Training--New Trainer						
<b>Total Income</b>	<b>43,000</b>	<b>45,000</b>	<b>40,000</b>	<b>39,000</b>	<b>43,000</b>	
<b>EXPENSES</b>						
Rent	12,500	12,500	12,500	12,500	12,500	
Payroll	20,000	21,000	19,000	18,000	19,000	
Payroll--New Trainer						
Supplies	1,000	1,000	1,000	1,000	1,000	
Marketing	2,000	2,000	2,000	2,000	2,000	
Insurance	500	500	500	500	500	
Other	1,000	1,000	1,000	1,000	1,000	
<b>Total Expenses</b>	<b>37,000</b>	<b>38,000</b>	<b>36,000</b>	<b>35,000</b>	<b>36,000</b>	
<b>PROFIT</b>	<b>6,000</b>	<b>7,000</b>	<b>4,000</b>	<b>4,000</b>	<b>7,000</b>	
Owner's Draw	5,000	5,000	5,000	5,000	5,000	
<b>Cash on Hand</b>	<b>7,000</b>	<b>9,000</b>	<b>8,000</b>	<b>7,000</b>	<b>9,000</b>	





# #7: Forecast the investment

First add in the EXPENDITURE required.

Example: A gym is considering hiring an additional personal trainer.

The trainer will be paid a flat salary of \$5K/month.

	Jun	Jul	Aug	Sep	Oct
EXPENSES					
Payroll—New Trainer	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000



# #7: Forecast the investment

Next, add in the estimated INCOME boost.

	Jun	Jul	Aug	Sep	Oct
INCOME					
Training—New Trainer		\$2,500	\$4,000	\$7,000	\$10,000
EXPENSES					
Payroll—New Trainer	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000

The revenue will always be a **guesstimate!**  
Your best guess is good enough.



# #7: Forecast the investment

**State your assumptions** about the future, so you can update the plan based on what really happens.

	Jun	Jul	Aug	Sep	Oct
INCOME					
Training—New Trainer		\$2,500	\$4,000	\$7,000	\$10,000

- Assumptions:
  - In the first month, the trainer will be passing certifications and will not see clients.
  - The trainer will complete 25 training sessions in July.
  - Her client base will build steadily through October.



# #7: Forecast the investment

Now, you see the next profit impact.

	Jun	Jul	Aug	Sep	Oct
INCOME					
Training—New Trainer		\$2,500	\$4,000	\$7,000	\$10,000
EXPENSES					
Payroll—New Trainer	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
NET PROFIT IMPACT	<b>\$-5,000</b>	<b>\$-2,500</b>	<b>\$-1,000</b>	<b>\$2,000</b>	<b>\$5,000</b>



# #8: Can you afford it?

P&L Forecast  
**WITHOUT**  
Investment

PROFIT & LOSS STATEMENT -- Cash Basis						
		Jun	Jul	Aug	Sep	Oct
INCOME						
	Memberships	13,000	13,000	12,000	13,000	15,000
	Training Sessions	30,000	32,000	28,000	26,000	28,000
	Training--New Trainer					
Total Income		43,000	45,000	40,000	39,000	43,000
EXPENSES						
	Rent	12,500	12,500	12,500	12,500	12,500
	Payroll	20,000	21,000	19,000	18,000	19,000
	Payroll--New Trainer					
	Supplies	1,000	1,000	1,000	1,000	1,000
	Marketing	2,000	2,000	2,000	2,000	2,000
	Insurance	500	500	500	500	500
	Other	1,000	1,000	1,000	1,000	1,000
Total Expenses		37,000	38,000	36,000	35,000	36,000
PROFIT		6,000	7,000	4,000	4,000	7,000
Owner's Draw		5,000	5,000	5,000	5,000	5,000
Cash on Hand		7,000	9,000	8,000	7,000	9,000



# #8: Can you afford it?

PROFIT & LOSS STATEMENT -- Cash Basis						
	Jun	Jul	Aug	Sep	Oct	
INCOME						
Memberships	13,000	13,000	12,000	13,000	12,000	
Training Sessions	30,000	32,000	28,000	26,000	26,000	
Training--New Trainer		2,500	4,000	7,000	10,000	
Total Income	43,000	47,500	44,000	46,000	48,000	
EXPENSES						
Rent	12,500	12,500	12,500	12,500	12,500	
Payroll	20,000	21,000	19,000	18,000	18,000	
Payroll--New Trainer	5,000	5,000	5,000	5,000	5,000	
Supplies	1,000	1,000	1,000	1,000	1,000	
Marketing	2,000	2,000	2,000	2,000	2,000	
Insurance	500	500	500	500	500	
Other	1,000	1,000	1,000	1,000	1,000	
Total Expenses	42,000	43,000	41,000	40,000	40,000	
PROFIT	1,000	4,500	3,000	6,000	8,000	
Owner's Draw	5,000	5,000	5,000	5,000	5,000	
Cash on Hand	2,000	1,500	(500)	500	3,500	

P&L Forecast  
**WITH**  
Investment



# #8: Can you afford it?

PROFIT & LOSS STATEMENT -- Cash Basis						
	Jun	Jul	Aug	Sep	Oct	
INCOME						
Memberships	13,000	13,000	12,000	13,000	12,000	
Training Sessions	30,000	32,000	28,000	26,000	26,000	
Training--New Trainer		2,500	4,000	7,000	10,000	
Total Income	43,000	47,500	44,000	46,000	48,000	
EXPENSES						
Rent	12,500	12,500	12,500	12,500	12,500	
Payroll	20,000	21,000	19,000	18,000	18,000	
Payroll--New Trainer	5,000	5,000	5,000	5,000	5,000	
Supplies	1,000	1,000	1,000	1,000	1,000	
Marketing	2,000	2,000	2,000	2,000	2,000	
Insurance	500	500	500	500	500	
Other	1,000	1,000	1,000	1,000	1,000	
Total Expenses	42,000	43,000	41,000	40,000	40,000	
PROFIT	1,000	4,500	3,000	6,000	8,000	
Owner's Draw	5,000	5,000	5,000	5,000	5,000	
Cash on Hand	2,000	1,500	(500)	500	3,500	

Look at the  
Cash  
Balance



# #8: Can you afford it?

Look at the impact on your cash balance.

- Is it negative?
- Is it above a minimum “safety” level?

	Jun	Jul	Aug	Sep	Oct
CASH BALANCE (without new trainer)	\$7,000	\$9,000	\$8,000	\$7,000	\$9,000
CASH BALANCE (with new trainer)	\$2,000	\$1,500	<b>\$-500</b>	\$500	\$3,500



# #9: Ways to afford it!

## Option 1: Delay the Investment

- Change the forecast to make the investment later
  - Look for a time when your financial situation will likely be stronger
- Look at the revised cash balance forecast



# #9: Ways to afford it!

## Option 2: Get Outside Funding

- Funding options
  - Personal funds
  - Friends & family loan
  - Bank loan
  - Investors
- Add lines to your forecast:
  - Cash received & when
  - Loan repayments & when





# #10: Find the best ROI investment

List the opportunities you're considering





# #10: Find the best ROI investment

Put them into your forecast

- Forecast each idea by itself
  - Find the one with the best impact on your profit & cash!
- Advanced: Forecast multiple options
  - Sequence them over time!





# Action Plan

1. Define what “healthy” means
2. Identify your key metrics
3. Build your P&L forecast
4. Identify your best ROI opportunities





# Evan's Personal Training for Your Business

- How it works
  - Achieve focus & clarity
  - Follow the smartest & fastest path
  - I walk you through it in brief, weekly meetings
- Investment & results
  - \$700-1500/month; 3 month commitment
  - Pays for itself with the first few additional sales
  - Most clients experience dramatic revenue growth

Three months into working with Evan, we had our best month ever. And sales keep growing. Our business has doubled over the past year.

*Jeff Solomon, Partner  
Techromatic IT Consulting*



Now I have no shortage of business. I've gotten 15 times return on my investment with Evan.

*Jack Petrie, Founder  
OfficeLeaseCenter.com*





# When should I hire a bookkeeper?



- When you start your business
- When you're ready to grow
- When your time is too valuable
- When you're ready to make money
- When you're too busy to keep up
- When you want meaningful numbers
- When you want to stream-line your operations
- When you want to cut down on your overhead expenses
- When you are ready to be the CEO



# Questions?

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