

*Paul Hoyt's "Office Hours" Series*



THE **Awakened** CEO  
System

**Office Hours**

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# Welcome to Office Hours

- A relaxed, informal mentoring program
- Held every Monday at Noon Pacific Time
- All recordings, slides, and exercises are archived in our member's area
- All recordings are available on my YouTube channel:

[www.YouTube.com/user/PaulHoyt](http://www.YouTube.com/user/PaulHoyt)

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# The Reasons

- Being a successful small business owner can be a great experience!
- It's tough - you need Education, Training, Tools, and Team to be successful
- We want you to get to know us

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# The Reasons

- First and most importantly, we want you to know that we care about you.
- We want you to succeed in every area of your life, whatever that means to you.
- We want you to find the **greatness**, the **happiness**, the **divinity** within yourself, and then remember it, embrace it, and live it every day.



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# Our Passion

To increase the survival rate...

Accelerate the growth rate...

And reduce the struggle rate  
of businesses in America

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# Our Vision...

To help millions of CEOs and  
Entrepreneurs accelerate their business  
growth and enjoy greater harmony and  
balance in their lives

*Please Pass the Word!*

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# Office Hours Agenda

- In depth discussion of a business success principle
- Closing remarks, special offers, and invitation for next weeks session
- Open Q&A and coaching

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## Join Us!

- The Awakened CEO Communities on both LinkedIn and Facebook
- Business Success Principle of the Day postings on both Facebook and LinkedIn
- Energy of the Day posting on Facebook

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Today's Topic:

Money Talks!

The Process of

Financial Modeling

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# The Key Performance Areas



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# The Key Performance Areas



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THE **Awakened** CEO  
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A Balanced and Comprehensive Approach  
to Business Growth, on multiple levels



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# Levels of Performance

- **Mindset** – your beliefs and perspectives
- **Methods** – your plans, processes, and procedures
- **Momentum** – taking action, accelerating your velocity



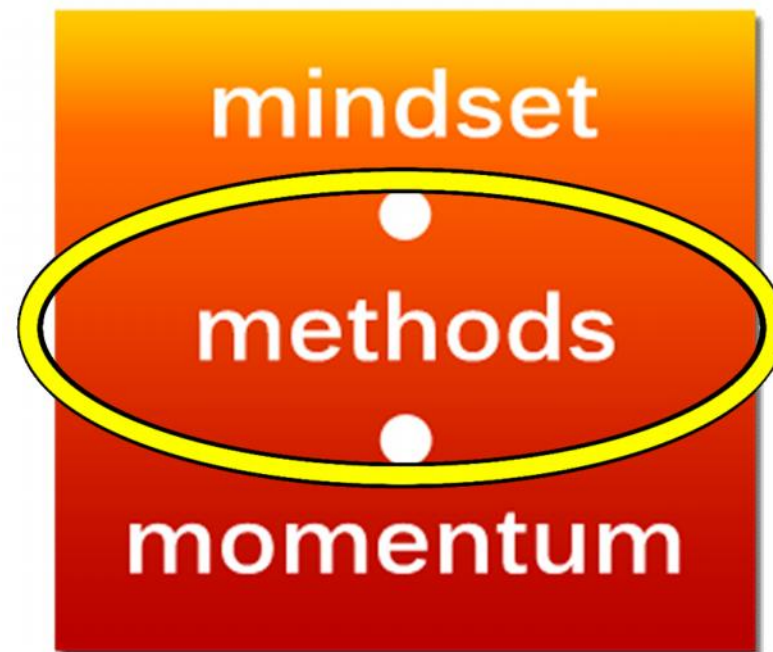
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# The Awakened CEO System



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# Agenda

- Overview
- Step by Step through the process
- Tips
- The Bottom Line

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# Overview

- I love accounting!
- I love to do financial models!
- Completed 150 or so
- Focus is to create “Investor Grade” models, with six projections:
  - Income Statement, Cash Flow, and Balance Sheet
  - Year by Year and Month by Month for the first year



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# Exceptions to Complete Models

- Very early stage companies, and
- Internet companies
- Revenues are impossible to predict
- Both need expense and fixed asset projections for next phase of growth (“Use of Proceeds”)

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# Why Do Projections?

- Seeking Loans or Loan Renewals
- Raising Capital
- Business Model Diligence
  - Facilitates the “thinking it through”

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# Business Model Diligence

- Overall viability
- Most profitable product lines and distribution channels
- Reasonableness of expenses
- The cash required to grow

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# The Process of Projections

- Startup Expenses
- Sales Projections
- Staffing Model
- Direct Costs
- Operating Expenses
- Balance Sheet Activity
- Cash Flow Analysis
- Capital Engineering

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# Startup Expenses

- Optional
- Usually from 3 to 9 months
- Prior to revenue and major expenses
- Tends to increase the revenue projections in the last year of the model – which is important to the valuation



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# Sales Projections

- Sales by product
- And by distribution channel
- Need to know
  - What products you will sell
  - Prices and costs of each product
  - Number of units sold by channel
  - Price variations by channel

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# Staffing Model

- Salaries and starting dates
- Contractor fees and engagement dates
- Detail for first 12-18 months – looser projections thereafter
  - May expand automatically based on revenue-per-employee assumptions
- Bonuses and raises



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# Direct Costs

- Product Costs / Cost of Goods Sold
- Subcontractor (direct delivery) costs
- Commissions
  - Internal (at all levels)
  - External (agents, brokers, affiliates, referral sources)
- Royalties
- Credit card fees



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# Operating Expenses

- Long list!

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# Operating Expenses

- Automobiles
- Bank Fees
- Board of Directors
- Communications
- Contributions
- Dues and Subscriptions
- Education
- Employee Relations
- Insurance
- Legal
- Marketing
- Office Equipment
- Office Rent
- Office Supplies
- Payroll Taxes
- Printing

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# Operating Expenses

- Product Development
- Professional Fees
- Software
- Sanitation
- Taxes and Licenses
- Travel and Entertainment
- Uniforms
- Utilities

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# Other Expenses

- Interest
- Amortization
- Depreciation
- Taxes

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# Operating Expenses

- Long list!
- Some vary by size of staff
- Most increase over time
  - “Fixed Expenses” are rarely “fixed”

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# Balance Sheet Activity

- Accounts Payable
- Notes Payable
- Distributions of Profit
- Accounts Receivable
- Notes Receivable
- Pre-Paid Expenses
- Inventory

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# Balance Sheet Activity

- Fixed Assets and other Capitalized Expenses
  - Buildings and Land
  - Computer Equipment
  - Office Furniture and Fixtures
  - Plant Equipment and Machinery
  - Product Development
  - Trucks and Automobiles

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# Cash Flow Analysis

- Month by month analysis
- Takes cash to grow!
  - Inventory
  - Receivables
  - Fixed Assets
  - Marketing
  - Staff and Staff-related Expenses
  - Debt Repayment and Working Capital

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# Capital Engineering

- Project cash required, including some extra
- Company valuation
  - Harvard Method
  - Internal Rate of Return
  - Fair Market Value
  - Many Others
- Reasonable return

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# Tips!

- It takes great spreadsheet expertise, accounting expertise, and “domain” expertise to create reasonable models
- Many CPAs and Bookkeeping Firms don't do financial projections
- Like business plans, financial models need to be updated every 90 days or so



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# Tips!

- Some financial modeling professionals don't deliver the spreadsheet – you have to continue to engage their services to make changes
- It really takes month by month balance sheet, income statement and cash flow statements to understand the cash required to build the business
- No financial model ever comes true!



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# The Bottom Line

- There are a lot of great reasons for you to complete financial projections
- If you are going to share them with professionals, make them investor grade
- Get professional support!

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# Agenda

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- Tips!
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# Homework / Exercise

- Think about when and if you need complete financial models or expense projections
- As always, get multiple quotes and check references
- Work with a professional – so you get a third party perspective

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# Related Office Hours

- 11 – Cash Flow Secrets
- 22 – Reading Financial Statements
- 46 – Pitching to Investors
- 67 – Valuing Your Business
- 96 – Strategic Planning
- 103 – How to be Great at Financial Management

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# Open Q & A and Coaching – in a minute

- Comments and questions on the topic of the day, then any other issues
- Tell me what your biggest “take-aways” are and what insights you gained from this presentation
- Tell me what you are going to focus on

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# Our Support Services

Service	Teach You	Do It With You	Do it For You
Education	X		
Training	X		
Coaching	X		
Advising / Mentoring	X	X	
Consulting		X	X
Growth Management		X	X



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# Next Office Hours: June 6th

- We are skipping a week due to holiday
- Topic is: **TBD**
- Let me know what topics you would like for me to address: [www.PaulsSurvey.com](http://www.PaulsSurvey.com)
- Do your homework!

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# Open Q & A and Coaching

- Comments & questions on the topic of the day, then any other issues
- Contact Me at [paul@paulhoyt.com](mailto:paul@paulhoyt.com)  
call or text: 415.997.8001
- [www.SchedulePaul.com](http://www.SchedulePaul.com)



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