COLUMBIA, BOONE COUNTY

BUSINESS BOOST

A STEP-BY-STEP GUIDE FOR ENTREPRENEURS STARTING A BUSINESS

redi

Regional Economic Development Inc.

IEDC ACCREDITED

ATTRACT. EXPAND.
GROW.

Congratulations on wanting to start your own business!

Owning a business can be one of the most rewarding, yet challenging experiences of your life. The more thought, planning, and research that goes into your idea, the greater your chance for success.

This guide was created to assist you in moving beyond the idea and dream stages, and to help you understand the next steps in making your business a reality. There are no magic wands to fast-track you through the steps it takes to get your business started, but this information will certainly help streamline things for you.

All the best,
Team REDI

redi

Regional Economic Development Inc.

IEDC ACCREDITED

TABLE OF CONTENTS

Chapter One
Exploring Entrepreneurship

Is Entrepreneurship for You?

Starting your own business can be an exciting and rewarding experience. Becoming a successful entrepreneur requires thorough planning, creativity and hard work. Does the vision of your business meet your personal goals? Considering your personal goals will help you select a business that is right for you. Experience within an industry or business can give you an advantage in building a successful business. It is also important to build a strong team and seek assistance from trusted advisors, mentors, and outside professionals to prevent you from making costly mistakes and minimizing your risks.

Consider whether you have the following characteristics and skills commonly associated with successful entrepreneurs:

Risk Taker: Entrepreneurship involves uncertainty. Do you avoid uncertainty in life at all costs? If yes, then entrepreneurship may not be the best fit for you. Do you enjoy the thrill of taking calculated risks? If so, then entrepreneurship could be for you.

Desire and Passion: Do you have the drive, motivation and emotional strength? Do you have the fervent drive to succeed and zeal for the tasks required?

Independent: Being your own boss also means you make tough decisions. Entrepreneurs have to make a lot of decisions on their own. If you find you can trust your instincts—and you're not afraid of rejection now and then—you could be on your way to becoming an entrepreneur.

Persuasive: You may have the greatest idea in the world, but if you cannot persuade customers, employees and potential lenders or partners, you may find entrepreneurship challenging. If you enjoy public speaking, can engage new people with ease, and find you make compelling arguments grounded in facts, you're likely poised to make your idea succeed.

Ability to negotiate: As a small business owner, you must negotiate everything from leases to contract terms to rates. Polished negotiation skills will help you save money and keep your business running smoothly.

Creative: Are you able to think of new ideas? Can you imagine new ways to solve problems? Entrepreneurs must be able to think creatively. If you have insights on how to take advantage of new opportunities, entrepreneurship may be a good fit.

Supported by others: Before you start a business, it's important to have a strong support system in place. You'll be forced to make many important decisions, especially in the first months of opening your business. If you do not have a support network of people to help you, consider finding a business mentor. A business mentor is someone experienced, successful and willing to provide advice and guidance.

If the characteristics mentioned above describe you, then read on...

Exploring Entrepreneurship

20 Questions Before Starting

So you've got what it takes to be an entrepreneur?

Now, ask yourself these 20 questions to make sure you're thinking about the right key business decisions:

1. Why am I starting a business?
2. What kind of business do I want?
3. Who is my ideal customer?
4. What products or services will my business provide?
5. Am I prepared to spend the time and money needed to start my business?
6. What differentiates my business idea and the products or services I will provide from others in the market?
7. Where will my business be located?
8. How many employees will I need?
9. What types of suppliers do I need?
10. How much money do I need to get started?
11. Will I need to get a loan?
12. How long will it take before my products or services are available?
13. How long do I have until I start making a profit?
14. Who is my competition?
15. How will I price my product compared to my competition?
16. How will I set up the legal structure of my business?
17. What taxes do I need to pay?
18. What kind of insurance do I need?
19. How will I manage my business?
20. How will I advertise my business?

Chapter Two

The Very Basics

Even before a business plan begins to take shape, you need to think about your business as more than just this great flash of an idea that you have. Set aside the thoughts of fame and fortune and really dive into the how and the why of your business idea.

This process is meant to be messy and a work in progress, so make a copy of your notes and scribble on them, draw lines and arrows on them, and go through multiple drafts.

Talk to potential customers about your business idea. Make sure to get out beyond the circle of your friends and family to do so. Create a survey and get out to a location where people who would be your customers currently gather. Ask questions. Make sure you are solving a customer's problem and not just your problem. Doing this before opening and operating has the potential to save you a lot of time and money by avoiding mistakes before they become mistakes.

Put people in place around you to help you succeed. Entrepreneurship is a team sport! Successful business owners not only have a plan for their business and how it will be successful, but also surround themselves with a team of experts. Think of these people as your initial Board of Advisors. These experts can help you make the right decisions when first starting out, and also help you tackle challenges as they come up and help you succeed in the future.

It's recommended that you find reputable professionals who will give you the best advice, especially in areas where you might need some coaching. Whether you work with paid professionals, free consultants, or friends and family who can provide this help, do not overlook this step.

Consider these professionals for your business:

Accountants or Bookkeepers can help you…

- Interpret financial statements
- Compute start-up costs and breakeven point
- Prepare and understand taxes

Attorneys can help you…

- Determine the best organization for your business (Corporation, LLC or Sole Proprietorship)
- Determine if you need intellectual property protection, such as a patent
- Make sure you are compliant with all federal, state and local laws, including federal reporting requirements for Beneficial Ownership Information (BOI).

Bankers can help you…

- Set up your separate bank accounts (personal and business)
- Make sure you have enough cash reserves to open your business
- Secure financing like loans or lines of credit

Coaches/Mentors can help you…

- Work through barriers or issues
- Think outside the box
- Help you see what you're missing

Marketing Firms or Consultants can help you…

- Develop a marketing plan that will propel your business to success

Real Estate Agents or Brokers can help you…

- Determine your property/space needs
- Find a location appropriate for your business

Chapter Three

Local Organizations and How They Can Help

REDI

columbiaredi.com

REDI's mission is to assist in the creation of quality job opportunities that support upward economic mobility for the residents of Columbia and Boone County. As that relates to entrepreneurship and small business formation, REDI provides free coaching and assistance with mindset, marketing, branding, as well as business formation and development. REDI also manages a co-working space for entrepreneurs, and offers various meeting room spaces, including a podcast studio, and access to other resources such as copy and printing services – all at no charge.

The Minority Business Program at REDI offers assistance for minority and women owned business enterprises, and maintains the city-wide online Directory of those businesses. Minority small business owners can benefit from contract opportunities, funding availability, a diverse network, supplier diversity programs, and additional training opportunities. This program also offers an annual Minority Business Enterprise (MBE) Grant.

The great thing about applying for this MBE grant is that is serves a variety of business sectors, including for-profit, startup businesses, early-stage, and beyond. This grant can provide small businesses with a much-needed boost for growth and profitability. These grants can increase economic development across different minority communities in Columbia and serve as a no-debt option for small businesses that do not want to give up ownership percentages or go into debt to grow their business. These $5,000 grants are distributed annually to recipients in June and funds awarded must be applied to typical business expenses.

The Minority and Women Business Directory is designed explicitly for minority and women-owned businesses and can be a great way to gain more exposure and connect with your target audience. By listing your business in this Directory, you can easily reach consumers looking to support minority and women entrepreneurs. This can increase your visibility, expand your reach, attract loyal customers, and generate more sales.

The Supplier Diversity Program at REDI helps small businesses get state contracts in partnership with APEX (see following page). It gives opportunities to different groups of people who have been historically underrepresented. These groups include Minority Business Enterprises (MBEs), Women Business Enterprises (WBEs), Service-Disabled Veteran Business Enterprises (SDVOBEs), Veteran Business Enterprises (VBEs), Lesbian, Gay, Bisexual, and Transgender Business Enterprises (LGBTBEs), and Disability-Owned Business Enterprises (DBEs). To qualify as a diverse supplier, a business must be owned and operated by someone from one of these groups, and they must own at least 51% of the company.

The Global Entrepreneurship Program at REDI aims to serve the needs of refugee and immigrant entrepreneurs, through cultural acclimatization to the business processes here in Columbia.

Additional resources for global entrepreneurs, including training modules translated into multiple languages, are available on REDI's Global Entrepreneurship Program site.

Training modules include:

- Follow the Rules: What are the rules and paperwork needed to set up a business in Missouri?
- Show Me the Money: What to know (and do) about finance and your business.
- What's the Plan: The Basics of Making a Business Plan.

REDI's Hub

columbiaredi.com/grow

REDI's Hub is a collaborative co-working space that is available to entrepreneurs who are clients of our business development program. There is no fee for the services, and access to the shared space is available 24/7/365.

1 Million Cups

1millioncups.com

1 Million Cups is a free, weekly national program designed to educate, engage, and connect entrepreneurs. Developed by the Kauffman Foundation, 1MC is based on the notion that entrepreneurs discover solutions and network over a million cups of coffee. 1 Million Cups meets in Columbia at the REDI Hub every Wednesday at 9am and is free and open to the public.

Missouri Women's Business Center

(through Central Missouri Community Action)

mowbc.org

Funded through CMCA and the Small Business Administration, the Missouri Women's Business Center assists entrepreneurs as they plan, start, build, and scale their businesses by providing accessible resources, programming, and business coaching, at no cost. Located at CMCA's offices, MoWBC also helps many entrepreneurs find alternative funding sources.

Small Business Development Center

(through the University of Missouri Extension)

sbdc.missouri.edu

The Missouri SBDC helps businesses in every stage. From concept to startup, growth to renewal, mature to succession, their business specialists help you succeed at every stage in your business' lifecycle. Missouri SBDC experts are conveniently located all across the state, including at REDI's office, and provide assistance and host events on a variety of business topics, all at no charge.

APEX Accelerator

(through the University of Missouri Extension)

moapex.org

The APEX Accelerator assists businesses, including small, disadvantaged, veteran and women owned firms, obtain federal, state and local government contracts. Their procurement specialists have years of experience, and are located onsite at REDI's offices. They will help you identify opportunities and understand the contracting process so you can take advantage of government sales dollars. APEX counselors will also assist with SAM.gov registration; and, their services are free of charge.

Columbia Chamber of Commerce

columbiamochamber.com

The Columbia Chamber of Commerce is a voluntary, member-supported organization of business, industrial and professional people who are dedicated to developing, promoting and maintaining a sound and healthy economic climate for Columbia. The Chamber is a non-profit organization with members who work together to enhance the Columbia business community.

The Chamber's Small Business Committee supports many events for the local ecosystem, and the Small Business Roundtable (held on the first Friday morning of each month) is a worthwhile meeting to attend as an entrepreneur or small business owner.

Entrepreneurship Legal Clinic

(through the University of Missouri)

law.missouri.edu/elc

The University of Missouri's law school offers an Entrepreneurship Legal Clinic (ELC) which provides clinical opportunities for students to work with small and start-up business clients. The ELC assists individuals seeking to start businesses by providing supervised legal services involving entity planning and formation, governance issues, employee issues, intellectual property analysis, governmental regulations and contract drafting. This service is provided free of charge to local entrepreneurs and small business owners.

Missouri Innovation Center

missouriinnovation.com

The Missouri Innovation Center (MIC) is a non-profit organization offering services in mentoring, securing financial support, and providing necessary resources for conducting successful and focused research and development. They help to create more quality jobs in our region, improve the local economy, and develop technologies that are capable of improving the quality of human life.

MIC is a tech-forward landing spot for small businesses and startups, especially those who are looking towards Biotech and Fintech applications. They are connected with a local angel investor group, Centennial Investors, and also have connections with both regional and national iCorps programs for intensive customer discovery work.

ProsperU

(through Central Bank of Boone County)

centralbank.net/prosperu

ProsperU offers a slate of free classes on all kinds of topics related to starting and building a new business, as well as personal finance education. They often have local leaders and experts teach the classes. There is a lot of great content delivered here, and may be a small fee to attend.

Daniel Boone Regional Library

dbrl.org

The Daniel Boone Regional Library, located in downtown Columbia, is on the list for a few things they offer that might come in handy for the solopreneur or small business owner in need. The library offers a free Notary service on the second floor, and also has individuals available for tax help during the spring tax season. There are also events scheduled that often pertain to business topics.

MOSourceLink

mosourcelink.com

MOSourceLink's mission is to help entrepreneurs and small businesses across the state of Missouri grow and succeed. MOSourceLink connects entrepreneurs and small business owners with a network of nonprofit resource organizations that provide business-building services. They facilitate the linking of these resource organizations to one another and to established, emerging and start up small businesses throughout the region.

Chapter Four
Financing Options for Your Business

Banks/Financial Institutions

This could be another exhaustive list, here; however, the best thing you can do in this regard is to make sure that you start your business checking account with a local bank. If you choose a local branch of a national bank, you will have many more hurdles to overcome as you look to find financing and work with your bankers as partners in this process. Local branches of banks like Hawthorn Bank, Central Bank of Boone County, Bank of Missouri, Simmons Bank, and Callaway Bank have all worked with local entrepreneurs in our ecosystem in the past. There are also several Credit Unions in town, as well.

Before choosing a lending option, it's essential to carefully assess your business's financial situation, needs, and long-term goals. Comparing interest rates, repayment terms, and fees will help you make an informed decision that aligns with your business's financial health and growth plans.

Lending Sources

All of the banks listed above have commercial lending departments and are willing and able to provide loan services for new small businesses. Loans do come with interest rates, and the general economic health of the country will play a role in how much that changes the final numbers of any possible loan.

Traditional Bank Loans: Small businesses can apply for term loans from banks, which offer a lump sum of money with a fixed interest rate and repayment schedule. These loans are suitable for established businesses with good credit.

SBA Loans: The U.S. Small Business Administration offers various loan programs, including 7(a) loans for general purposes, 504 loans for real estate and equipment, and microloans for small amounts. SBA loans typically have favorable terms and lower interest rates.

Business Line of Credit: A revolving credit line allows businesses to borrow up to a certain limit. Interest is only paid on the amount borrowed, providing flexibility for short-term needs and managing cash flow.

Online Business Loans: Online lenders offer quick and accessible financing options for small businesses. These loans may have higher interest rates but provide faster approval and funding compared to traditional banks.

Crowdfunding: Businesses can raise funds from a large number of individuals through platforms like Kickstarter, Indiegogo, or Kiva. In return, backers might receive products, services, or other incentives.

Grants: Business grants are non-repayable funds offered by governments or organizations to support specific projects. They aim to boost economic growth and innovation, with eligibility based on factors like industry or location. Unlike loans, grants don't require repayment but may have conditions, requiring businesses to outline plans and show how funds will benefit the community or sector. Successful grant applications can provide crucial financial support for business development.

Chapter Five
Choosing a Business Structure

Choosing a business structure is a very important decision. Consulting a business attorney may be very beneficial to you before deciding to make sure that the structure you choose is the most beneficial for you now and in the future.

Valuable information regarding business structure types can be found on the IRS website at: *irs.gov/businesses/small-businesses-self-employed/business-structures*

Additionally, the Secretary of State's office offers useful information in this area at: *sos.mo.gov/business/corporations/startBusiness.asp*

Business structure options include: sole proprietorship, partnership, corporation, S-corporation, and limited liability companies.

Here is a brief overview of these types for your reference:

Sole Proprietorship: A sole proprietor is someone who owns an unincorporated business by himself or herself. However, if you are the sole member of a domestic limited liability company (LLC), you are not a sole proprietor if you elect to treat the LLC as a corporation.

Partnership: A partnership is a relationship between two or more people to do trade or business. Each person contributes money, property, labor or skill, and shares in the profits and losses of the business.

Corporation: In forming a corporation, prospective shareholders exchange money, property, or both, for the corporation's capital stock. A corporation generally takes the same deductions as a sole proprietorship to figure its taxable income. A corporation can also take special deductions. For federal income tax purposes, a C-corporation is recognized as a separate taxpaying entity. A corporation conducts business, realizes net income or loss, pays taxes and distributes profits to shareholders. The profit of a corporation is taxed to the corporation when earned, and then is taxed to the shareholders when distributed as dividends. This creates a double tax. The corporation does not get a tax deduction when it distributes dividends to shareholders. Shareholders cannot deduct any loss of the corporation.

S-Corporation: S-corporations are corporations that elect to pass corporate income, losses, deductions, and credits through to their shareholders for federal tax purposes. Shareholders of S-corporations report the flow-through of income and losses on their personal tax returns and are assessed tax at their individual income tax rates. This allows S-corporations to avoid double taxation on their corporate income. S-corporations are responsible for tax on certain built-in gains and passive income at the entity level.

Limited Liability Company: A Limited Liability Company (LLC) is a business structure allowed by state statute. Each state may use different regulations, you should check with your state if you are interested in starting a Limited Liability Company. Owners of an LLC are called members. Most states do not restrict ownership, so members may include individuals, corporations, other LLCs and foreign entities. There is no maximum number of members. Most states also permit "single-member" LLCs, meaning those having only one owner.

Chapter Six
Making Things Official

Registering Your Business

The Missouri Secretary of State website is a great resource for those considering starting a business in Missouri. This is a great compliment to the information found in this guide. Visit: *sos.mo.gov/business/outreach/starting_steps*

All business types have to be registered with the State of Missouri. Register the business name and file for incorporated status with the Missouri Secretary of State at: *sos.mo.gov/business/corporations/startBusiness.asp*

To move forward with this process, you will create an account, so be prepared to designate a username and password. The application process can be completed online and includes some basic questions to identify your business and you will have to designate a business structure at that time. Be prepared with an electronic form of payment as there is a fee for this service.

Sometimes the decision is made to register the business with one name and operate it with a different name. The name that the business is operated under is known as a fictitious name. If your business operates under a different name than it is legally registered as, you must file a fictitious name registration. Once you have created an account with the Missouri Secretary of State, there is a link on your account home page that will take you to the electronic registration form for the Fictitious Name Registration. It's helpful to note that your official business is making this request, so that is what should be listed as the requesting party, not you as an individual. Be prepared with an electronic form of payment as there is a $7.00 fee for this service.

Note: Effective January 1, 2024, there are new federal reporting requirements for Beneficial Ownership Information (BOI). Please contact an attorney or accountant for more information to ensure you are compliant with the U.S. Treasury Department or visit: FinCEN.gov/boi.

Obtaining a Federal Employer Identification Number and State Tax ID

A business employing anyone (including yourself) is required to apply for a Federal employer identification number (FEIN or EIN). An FEIN (or EIN) number may be obtained by calling 1-800-829-1040 or online at: *irs.gov*

Be prepared with an electronic form of payment as there is a fee of $277 for this service. Please note, that the EIN registration fee is 100% tax deductible, so keep a record of that expense for your tax preparer.

Obtaining State Tax documentation, Sales Tax ID, as needed

All new businesses need to register with the State of Missouri to ensure the accurate collection of state taxes. Tax types vary depending on the type of business you are starting and the number of people who will be employed by the business.

You can register your new business online for the following tax types at: *dor.mo.gov/register-business/*

- Sales Tax
- Vendor's Use Tax
- Consumer's Use Tax
- Withholding Tax
- Unemployment Tax
- Tire and Lead Acid Battery Fee
- Corporate Income Tax

Be prepared to create a My Tax Missouri account that you will access throughout the life of your business. To complete the process you will need to provide the State Charter ID that you received when you registered your business with the Secretary of State.

Once you have received confirmation of a sales tax identification number, go to: *dor.mo.gov/taxation/business/filing-payment/no-tax-due/*

This is where you will complete the process of obtaining a No Tax Due certificate. This will be needed when applying for a City of Columbia business license. You can easily download the certificate and save it on your computer for future use.

Obtaining a Boone County Merchants license (for retail businesses only)

If your business will sell products of any kind, you will need a Boone County Merchants license. The application can be found at: showmeboone.com/collector/merchant.asp

We recommend that you complete the electronic application (you will need your tax identification number from the Missouri Department of Revenue, print it, and go to the Boone County Government Building at 801 East Walnut Street. Your first stop will be at the County Clerk's office on the second floor where your application will be reviewed and entered into the system. You will take the paperwork that they give you to the County Collector's office on the first floor with your payment of $25.00 and they will finish processing your application. Your official license will be mailed to the address provided in the application.

Obtaining a City of Columbia Business License

Once you have completed all of the steps above, you are ready to apply for your City of Columbia business license. General information about the application process can be found at: como.gov/finance/business-licenses/

If your business is run out of your home, you'll need to submit a Home Occupation Form with your application. You will need to know the total square footage of your house and the square footage of the space you use for your business. If you don't know the total square footage of your home, Google your street address and find a realty site such as Zillow which will give you the total square foot information. Please note, the space that you use for your business cannot exceed 20% of the total square footage of the house. You will also have to submit a basic diagram of the house, and an example is provided in the Home Occupation Form packet that can be found at: como.gov/wp-content/uploads/2021/04/HomeOccupationDocument.pdf

To begin the application process, you will create an account on the Citizen Self-Service (CSS) portal. Once you have created and confirmed your account, you will follow the instructions provided. After you've completed the electronic application form, you will be asked to attach the home occupation documents and the No Tax Due certificate (noted under the State Tax ID section).

The final step in the application process is to pay the license fee. The initial license fee is based on the estimated annual gross revenue to be generated by the business for the first twelve months, plus a $45 application fee.

The license fee is $0.25/$1,000 of gross receipts so for every $1,000 of revenue generated, the fee is $0.25.

Estimated gross receipts less than $3,000 will incur the minimum license fee of $75, so a new business with estimated gross receipts less than $3,000 will pay $120 total at the time of submission, $45 for the initial application fee, and $75 for the license fee.

The maximum annual license fee shall be based on the schedule below:

- Effective January 1, 2024: $10,000
- Effective October 1, 2024: $15,000
- Effective October 1, 2025: $20,000
- Effective October 1, 2026: $30,000
- Effective October 1, 2027: $40,000
- Effective October 1, 2028: $50,000

Businesses that also serve or sell food or drink shall pay an annual inspection fee based on annual gross receipts according to the following schedule:

- Annual gross receipts less than $250,000:
  $220.00
- Annual gross receipts between $250,000 – $750,000:
  $305.00
- Annual gross receipts over $750,000:
  $570.00

So if you are a new food and/or beverage business, you will pay the initial application fee of $45, the license fee (depending on estimated gross receipts), and the annual inspection fee (depending on estimated gross receipts).

Keep in mind that certain industries and/or businesses may require additional licensure and oversight. For example, if your business intends to sell liquor then there are multiple additional licenses that you will need to have prior to starting your business.

Child Care Businesses

In the field of child care, anyone who is being paid to care for more than six children will need to contact the State of Missouri's Office of Childhood to determine if the childcare business will be licensed or license-exempt. Be sure to research any industry standards that may impact your business, a quick Google search could save a great deal of time and trouble.

Home Bakers – "Cottage Businesses"

Missouri's cottage food law, which went into effect on August 28, 2014, gives home bakers a path to entrepreneurship. Missouri Senate Bill 525 specifies that Missourians can sell baked goods made in their residence – as opposed to a commercial kitchen – directly to consumers. Baked goods are defined as "cookies, cakes, bread, Danish, donuts, pastries, pies and other items that are prepared by baking the item in an oven," with an additional stipulation for "canned jam or jelly" and "dried herb or herb mix."

Cottage businesses must sell directly to consumers for delivery or pickup, or at outlets such as a farmers' market, and annual gross income must not exceed $50,000. Sales in restaurants, grocery stores, and online stores are strictly prohibited.

Items that are sold should be labeled "This product has not been inspected by the Department of Health and Senior Services." All food items should be labeled with the name and address of the processor, the common name of the food, all ingredients in the food, and a statement that the product is prepared in a kitchen that is not subject to inspection by the Department of Health and Senior Services.

Chapter Seven
Creating a Business Plan

Developing a sound business plan is an extremely important component of the business startup process. It is essentially a roadmap that will help you navigate your way forward, especially when next steps are unclear. A good business plan will articulate what your business does, what success looks like and how you will get there.

A typical business plan includes a summary, market analysis, company description, organization and management structure, marketing and sales structure, descriptions of your service or product, research on the competition, budgets for initial and ongoing capital and operations costs, and financial information. A business plan is typically part of the documentation submitted for a business loan.

Some things that need to be considered when creating the plan include the operating agreement which clearly defines roles when multiple individuals are involved. Even if your team is composed of close friends and you don't expect a need for one, it is necessary to have an operating agreement that explicitly outlines who gets what percent of earnings, when payments are made, and how a member might be removed from the team or the procedure for how a member can voluntarily remove himself/herself from teams. It is absolutely crucial for the co-owners of any business to sign an operating agreement between themselves detailing the rights, responsibilities, and procedures. Start sketching this document out between yourselves. But make sure that there is an official contract between all partners that stipulates all necessary elements of the business relationship before you open your business.

Locally, the first three organizations listed in Chapter 3 (REDI, MoWBC, SBDC) are able to help you develop your business plan. Alternatively, Columbia and Boone County are blessed with several wonderful private coaches and consultants and REDI would be happy to connect you with them, as well.

Creating a business plan is an in-depth process that probably won't be completed in a day or even over a weekend. There is a lot of information to be compiled and poured through and put into words. Don't be discouraged, but know that this is one of the most important steps in the formation of a successful business.

The primary value of your business plan is to create a written resource that evaluates most aspects of your new business including a description of your target customers and markets, profitability, organization, operations and more. The very process of writing your business plan helps you put your ideas on paper so you can evaluate what resources you have and what you need to be successful.

Your business plan is your blueprint for starting your business, your script to tell the story of your business to others, and your comprehensive analysis of the opportunity for your business. Business plans help you plan your roadmap, state your goals, share your vision, and analyze your strategy. A business plan is an important and valuable tool for new as well as existing businesses.

The Business Plan Template is linked below and is a universal model suitable for most types of businesses, which you can customize to fit your circumstances. It also provides leading topics, questions, and suggestions in each section to guide you.

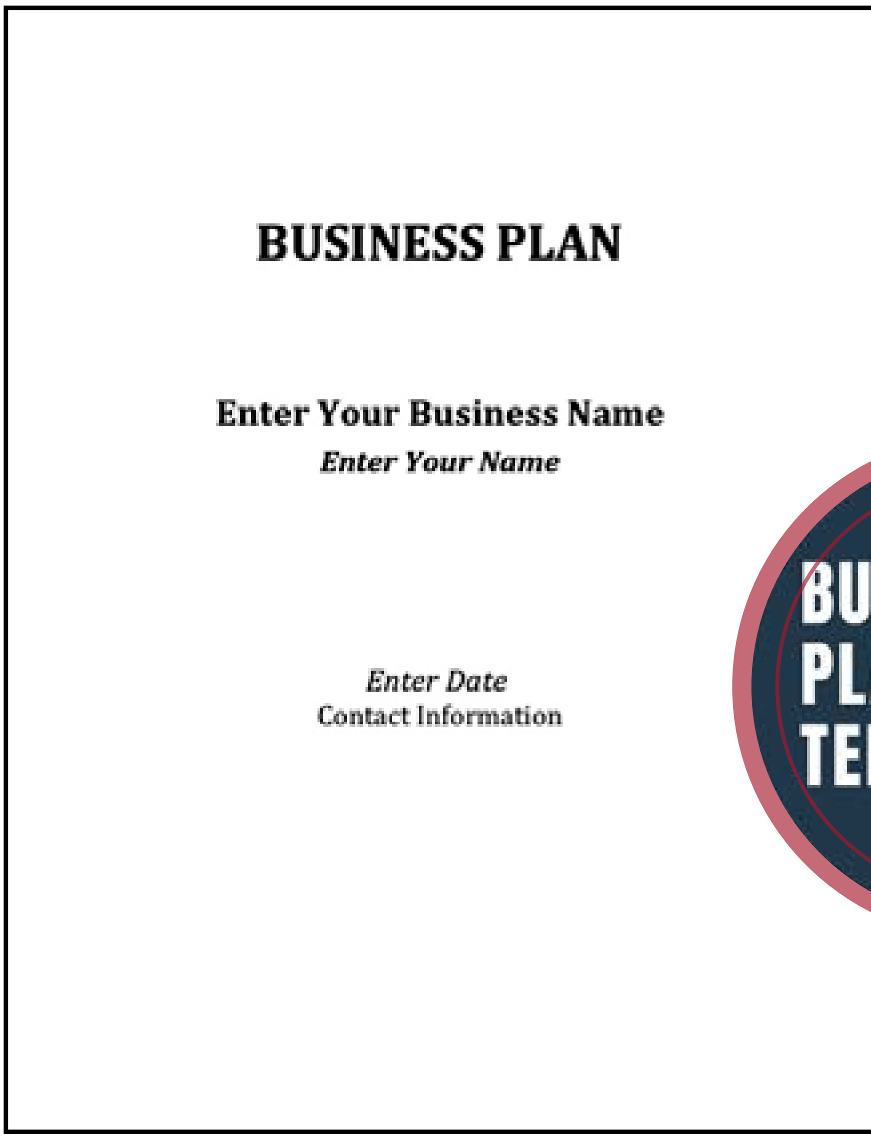
Here are some instructions to help you get started:

1. On the cover page replace with your own logo and provide your business name, personal name, contact information, and date.

2. Complete each section leaving the main title, such as "Executive Summary," and using the subtitles and questions as a guideline. Replace those subtitles and questions with the needed and relevant information. If some of the subtitles work with your format, you can keep them. You can type directly over the provided content or delete it as you complete it.

3. You might want to start each section on a new page, which can also be helpful if you decide to include a Table of Contents.

Once you complete your Business Plan, be sure that key stakeholders review it. Business Plans are not static - they will change as your business and the business environment change around you. It's important to continually review and update your Business Plan to adjust for these changes.

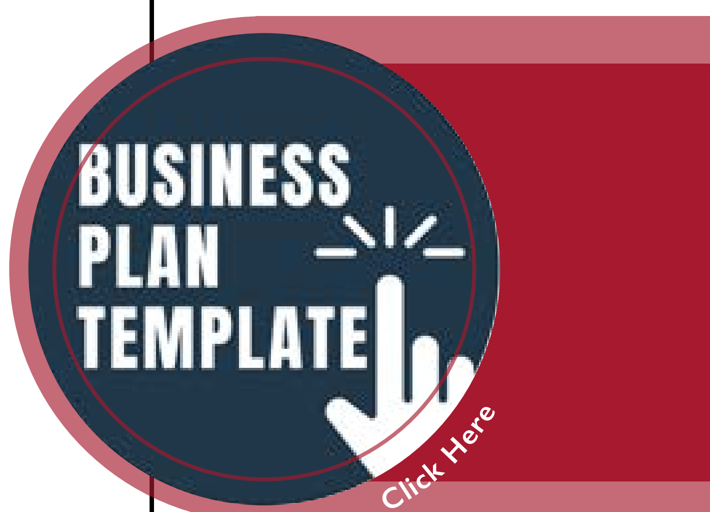

BUSINESS PLAN

Enter Your Business Name

Enter Your Name

Enter Date

Contact Information



Chapter Eight

Opening a Brick and Mortar Location

When thinking about a physical space for your business, utilizing the expertise of industry professionals is key. Before engaging professional advice, you need to envision how the space will be used.

An office setting will look and feel much different than a retail space. Will you need storage? How many people (ideally) would you like in the space at any given time? Is there an established space that you would like to model your space after? Having a good idea about your desired result will make the conversations that you have with professionals efficient and effective which will save you time and money.

Before deciding to lease or purchase a commercial property, there are many factors to consider. Your local municipality has regulations about things like zoning and signage that have to be obeyed.

The following list of professionals (some of which were mentioned in Chapter 2) has expertise that will be valuable as you navigate the process of securing a physical location for your business.

Accountant: This individual is critical in helping you understand what you can afford in rent, utilities, insurance, and upkeep. Regular conversations with your accountant before, during, and after signing a lease are critical to the success of your business.

Attorney: This individual is critical in helping you understand a lease agreement or purchase agreement and can assist you in the negotiation process. A lease is a legally binding document and should be taken very seriously. Your attorney may suggest a specific real estate broker that they feel would be a good fit for your needs.

Commercial Real Estate Broker: This person will be able to tell you about the commercial property landscape. They know what is available and what may be coming available. Most brokers are willing to have a short conversation with you to help you understand general costs and different lease types if you need this information to help you create a budget.

Commercial Insurance Agent: Inhabiting a physical space increases risk and liability. If staff and/or customers will be present in a physical space, additional insurance coverage is needed. Your accountant or attorney will be able to recommend an agent that is well-equipped to assist you in assessing your coverage needs.

Architect or Professional Engineer: This level of expertise is needed to make sure you are able to comply with inspection and permit regulations like the Americans with Disabilities Act. Depending on the level of modifications that you intend to make to the space, this may be an area of the budget that will need to be revised, or if possible, the plan may need to be implemented in phases.

Contractor/Project Manager: If the space needs extensive work, engaging with a contractor or project manager who can coordinate all of the trade-specific improvements that need to be made (mechanical, electrical, plumbing, etc.) could be very valuable. If this is not an area of expertise for you, or if you have very little time to coordinate these efforts, not engaging a professional could extend timeframes and overextend your budget.

If you've determined that a physical location is a must for you, there are additional things to consider as you work through the process of securing a physical space for your business.

Things like point-of-sale systems, credit card processing, and receipt printers can be overlooked in the larger construction and build-out process but can have significant impacts on the customer experience in your store. Think about how to get your branding visuals in front of people beyond your customer base, with custom stickers, bags, etc. Make sure that you are putting enough effort into managing your online presence (whether that be a website or social media channels) and that inventory and tone match what's in-store. Depending on your hours of operation, you may need to consider hiring staff to make sure you can adhere to regular operating hours. These types of expenses may ultimately impact the budget that you have for other areas of the physical space, such as rent.

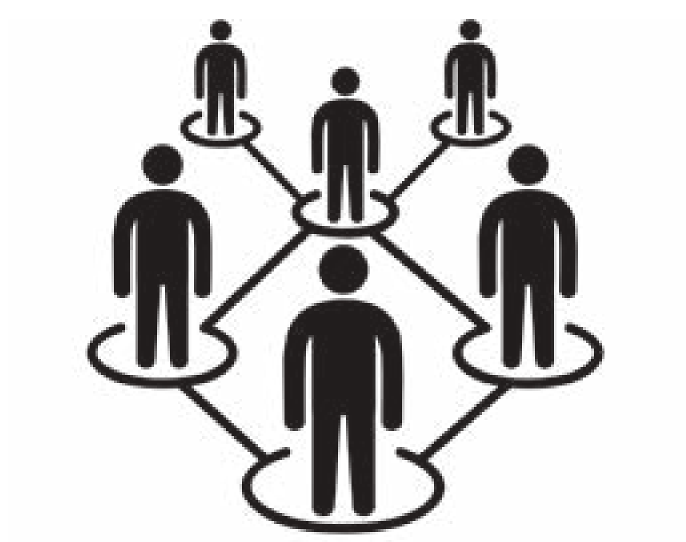
And remember that your Business Plan will need to reflect a greater scope when you are looking to open a physical storefront. You will want to include things like a pro forma (a projection of future costs and revenues, often in spreadsheet format) as well as projected capital expenses such as physical upgrades or equipment needed. These are important for bankers and other lenders to see as they consider whether to invest in your business via loans or other financial opportunities.

Structuring a business plan for a small food-based business requires careful consideration of key elements to ensure a comprehensive and compelling roadmap for success. The plan should begin with an engaging executive summary and a detailed description of the food business, including the type of cuisine or products offered, the sourcing of ingredients, and the production process. It should outline the market analysis, showcasing a deep understanding of the target audience, competitors, and industry trends. The Business Plan should also outline the marketing and sales strategies, discussing how the entrepreneur intends to promote the business, attract customers, and establish a loyal clientele.

You also need to consider employment services such as payroll and investigate some human resources information if you are going to have either W-2 or 1099 employees working for you in your store. These payroll costs will need to be reflected in the pro forma mentioned above.

The Business Plan, outside of mission and values statements, is still the primary document guiding a new business during this process. Amend it, edit it, and continue to work on it throughout the real estate and build-out process, and even after you're open for business. This will be foundational for the growth of your new venture.

And while this process can seem overwhelming, there are many resources to help. REDI's Business Development Specialist is happy to meet with you and help you identify individuals to work with and will help you throughout the process of securing and preparing your commercial space. Please visit: *columbiaREDI.com/expand* or call 573.442.8303 to set an appointment with a staff person today.



Utilizing the expertise of industry professionals is key

Chapter Nine

Opening a Food-based Business

As you move through Chapter 8, keep in mind that your food-based business is a different type of business than the previous ones we have covered, and with that comes a different set of challenges.

You should always consider the overall concept and feel of your establishment. Is this a quick-service, get-it-and-go type of restaurant? Or will it have more of a comfortable lounge feeling, encouraging patrons to sit and relax after their meals, and socialize? Will customers order and pay at a counter, or will you employ servers to take orders and deliver food to the tables? All of these thoughts and ideas will have a significant impact on your bottom line.

Inventory control is one of the most important lessons a new restaurant owner can learn. Building a menu that makes use of single ingredients in multiple dishes, and doesn't wander too far by offering too many dishes. Having unused ingredients going bad in your pantry and refrigerators is the kind of waste that new food-based businesses can't afford. Watch trends, watch what only gets ordered "on special", and engage with customers about their likes and dislikes on your menu, so that you can be aware of how your ordering of perishable goods can be adjusted and tweaked.

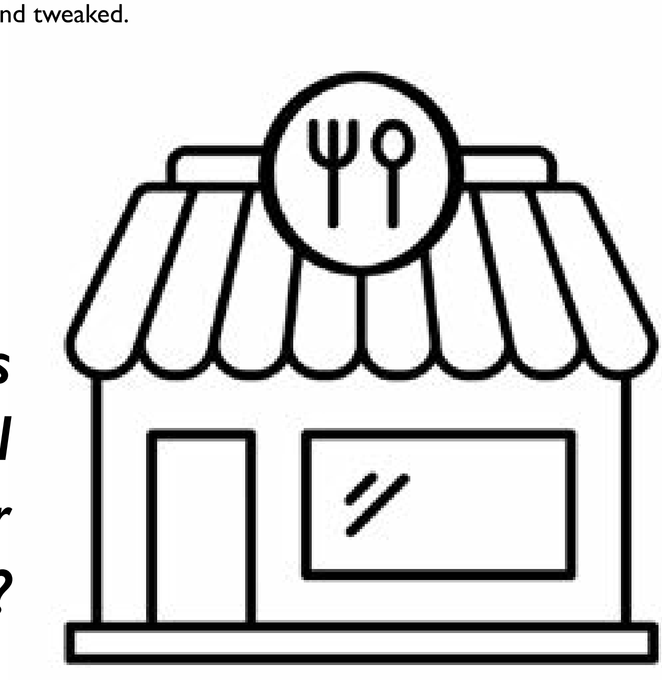
Along with all of those thoughts, your business will need to be present on social media. Think about how you engage with your customers there (and potential customers) and make sure you're communicating clearly, and that your visuals are clean and clear because people eat with their eyes!

Food-based businesses work closely with the City of Columbia/Boone County Health Department. Their website offers critical information about the process for opening your business and the following link will provide you with the details for health inspections and permitting requirements for restaurants, food trucks, and temporary pop-ups: *como.gov/health/environmental-health/food-safety/food-service-establishments*

This link will get you information for food handler and food manager classes and certifications: *como.gov/health/environmental-health/food-safety*

In the following chapter, we will cover Incubators and Shared Space Facilities including Como Cooks which is a support mechanism for food-based businesses available in our community.

What is the overall concept of your establishment?



Chapter Ten
Incubators and Shared Space Facilities

If you are unsure about committing to a brick and mortar location but need a physical space to work out of, or sell your goods and products, or cook or bake, there are several local incubators and shared space facilities depending upon the type of business you're operating.

These incubators or shared space facilities are often provided by local organizations, and subsidized, so that relatively minor rent/lease amounts can be charged or with some, there are no fees to utilize the space.

REDI's Hub

REDI's Hub is a collaborative co-working space that is available to entrepreneurs who are clients of our business development program. There is no fee for the services, and access to the shared space is available 24/7/365. See the listing in Chapter 3 for more information or visit: columbiaredi.com/grow

Retail incubators are designed to assist individuals with learning all aspects of running a retail business while providing space for retail sales and are open to the public. This allows for less startup costs and administrative hoops to jump through to get products in the hands of end-user customers but does not allow for a full realization of the owner's vision.

The Shops at Sharp End

The Shops at Sharp End is located in downtown Columbia, in the historic Sharp End district and provides a traditional retail experience for new businesses in a shared retail space. This unique partnership between REDI, CMCA, and the Downtown CID, provides a variety of services to business owners as they develop and grow their product offerings. Visit: TheShopsAtSharpEnd.com

Griggs Innovators Nexus Incubator

(through the University of Missouri)

Aimed at University of Missouri students, the Griggs Innovators Nexus Incubator allows students to have a retail space of their own on campus to market to other students. Visit: research.missouri.edu/griggs-innovators-nexus

Como Cooks

(through The Loop Community Improvement District)

Como Cooks is a shared kitchen/commissary for new food-based businesses, and allows for aspiring chefs and cooks to rent time and space in a kitchen for their business that might not yet be ready to make the jump into a physical space. You can get access to local distributors and vendors here, as well. Visit: cre8como.com/como-cooks

Glossary

Entrepreneurial Terms

Action Plan **-** An effective Action Plan should comprise a clear goal that represents the business's overall vision. Additionally, it should include objectives that outline the significance of completing the plan. Lastly, indicators are the essential milestones that need to be achieved to meet the project's desired outcome.

Angel Investor **-** An individual who provides capital to startups in exchange for ownership equity or convertible debt.

Bootstrapping **-** Building and growing a business using personal savings and revenue, without external funding.

Branding **-** Not just a logo, but an entire suite of labels, logos, words, and images that go into making your brand recognizable and stand out from your competitors.

Business Mindset **-** Understanding and appreciating your unique value and implementing a strategy or action plan can lead to recognition and financial success in business.

Crowdfunding **-** Raising funds for a project or business from a large number of people, often through online platforms.

Ecosystem **-** All of the resources, people, and organizations in our area that are engaged with helping small businesses start and succeed.

Elevator Pitch **-** An elevator pitch is a concise and persuasive speech used to generate interest in an organization, project, idea, product, or individual. It should last anywhere from 30 seconds to two minutes, like a short elevator ride.

Exit Strategy **-** A plan for how an entrepreneur or investor intends to eventually sell or leave a business, realizing gains.

Minimum Viable Product (MVP) **-** A basic version of a product that includes essential features, used to gather user feedback.

Niche Market **-** A specialized segment of a larger market, often with unique needs or characteristics.

One Pager **-** A one-pager is a brief document that summarizes your business, product, role, or event. It's like a business resume, meant to quickly grab the interest of potential customers.

Pivot **-** Changing a business's direction, product, or strategy in response to feedback or changing market conditions.

ROI (Return on Investment) **-** A measure of the profitability of an investment, calculated as a percentage of the initial investment.

Scalability **-** The ability of a business to handle growth in sales, customers, and operations without proportional increase in costs.

Seed Funding **-** Initial capital provided to a startup to cover basic expenses and validate its business model.

SWOT Analysis **-** An assessment of a business's strengths, weaknesses, opportunities, and threats.

Target Audience **-** The specific group of individuals or customers that a business aims to serve with its products or services.

White Label **-** A product or service that is produced by one company and sold by another under their own brand.

Y Combinator **-** A well-known startup accelerator program that provides funding and mentorship to early-stage startups.

Glossary
Commercial Real Estate Terms

As-Is or As-Built Condition - The existing condition of a tenant space, including all improvements.

Asking Rent - The amount asked by landlords for available space, expressed in dollars per square foot per year in most parts of the country (synonym: face rate).

Available Space - The total amount of space that is currently being marketed for lease. It includes space that is vacant or also space that is currently occupied but will be vacant in the future. Available space can include both direct and sublet space. If sublet space is excluded from the calculation, the term "direct available space" is recommended.

Base Rent - the minimum monthly rent due pursuant to a lease. Base rent does not account for expense reimbursements or percentage rent, which a tenant may also be obligated to pay. Depending on the lease provisions, the base rent may change over the term of the lease.

Breakpoint - The point at which an additional lease rate kicks in. For example, in addition to base rent, after a certain amount of sales revenue is generated in a month, a retailer will pay the landlord some percentage of in-store sales, typically about 5 percent.

Build-to-Suit - A building is designed and tailored for a specific tenant, often because the tenant is unable to find suitable space in the speculative market.

Certificate of Occupancy - A certificate issued by a local government authorizing occupancy of a space that has been found to meet building code requirements and is considered safe for human occupancy.

Class A Building - A classification used to describe an office building with rents in the top 30 to 40 percent of the marketplace. Class A buildings are well-located in major employment centers and typically have good transit, vehicular and pedestrian access. Additionally, they are located adjacent to or in proximity to a high number of retail establishments and business-oriented or fast casual restaurants. Building services are characterized by above-average upkeep and management.

Class B Building - A classification used to describe an office building with rents that are based between those of Class A and Class C buildings. Class B buildings are in good to fair locations in major employment centers and have good to fair transit, vehicular and pedestrian access. They are located adjacent to or in proximity to a moderate number of retail establishments and business-oriented or fast casual restaurants. Building services are characterized by average upkeep and management.

Class C Building - A classification used to describe an office building with rents in the bottom 10 to 20 percent of the marketplace. Class C buildings are in less-desirable locations relative to the needs of major tenant sectors in the marketplace. They can be older, neglected buildings in good locations or moderate-level buildings in poor locations, so transit, vehicular and pedestrian access may vary. Typically, fewer amenities and restaurants are found in or near these buildings, and they are usually of moderate to low quality. Building services are characterized by below-average upkeep and management.

Co-tenancy - A clause in a retail tenant's lease that provides remedies to a tenant in the event that another tenant, typically an anchor or major tenant, ceases its operations at the property.

Common Area - The generally accessible areas found on each floor of an office building such as washrooms, janitorial closets, electrical rooms, telephone rooms, mechanical rooms, elevator lobbies and public corridors that are available for use by all tenants on that floor. It does not include major vertical penetrations such as elevator shafts, stairways, equipment runs, etc., (identified as a percentage of rentable area).

Concessions - To secure a tenant when vacancy is high in a market or submarket, a landlord may need to grant concessions in the lease. Those concessions most often take the form of free rent but may also include lease buyouts, moving allowances and above-market tenant improvement allowances.

Commercial Real Estate Terms, continued

Co-working Space **-** Workspace offered for lease for short- to long-term periods in a communal setting. Space for office, artistic or manufacturing use can be leased by the day, month, year or even hour. The physical space leased can range from a traditional dedicated private office with a door to an unassigned seat on a bench along a communal table. Co-working spaces go beyond just providing a physical work environment. They are typically operated by entities that offer business-related lectures, social events and a sense of community for their entrepreneurial tenants, thus helping them grow their businesses.

Effective Rent **-** Expressed in dollars per square foot either per year or per month depending on market standards, it is a measurement of the value of the lease when all the concessions plus escalations are included. Effective rent calculations may vary according to local market practices. For example, in some markets, broker commissions are included. Effective Rent = (total rent – free rent – cash allowances) / lease term / rentable square foot Total Rent = rent paid during the term of the lease including escalations Note: Cash allowances can include free rent, moving allowances, and other cash considerations.

Footprint **-** The actual size and shape of a workstation as a portion of floor space; also refers to the size and shape of a building as it sits on a piece of land.

Force Majeure Clause **-** A contract term that excuses the performance of one of the parties to the contract when certain listed circumstances occur.

Full Service Lease **-** A lease in which the landlord provides some tenant services (i.e., janitorial, snow removal) and in which some operating expenses are passed through to the tenant.

Hold-Harmless Agreement **-** An agreement in which one party consents to protecting the other from loss and to paying for the other party's losses.

Industrial Building **-** A structure used primarily for manufacturing, research and development, production, maintenance, and storage or distribution of goods or both. It can include some office space. Industrial buildings are divided into three primary classifications: manufacturing, warehouse or distribution, and flex.

Kiosk **-** A small, physically independent stand or cart often placed within the common area of a retail structure (typically a regional mall) from which specialty goods are sold.

Lease Buyout **-** A process usually initiated by a tenant that wants to vacate leased space before the lease term ends.

Letter of Intent (LOI) **-** A letter of intent is an agreement between two or more parties before an actual agreement, such as a lease, is finalized. It is similar to a term sheet or memorandum of understanding (MOU). While LOIs may not be binding, provisions of them can be, e.g., non-disclosure and exclusivity. The intent is to protect both parties in the transaction until the transaction is executed.

Manufacturing Building **-** A facility used for the conversion, fabrication or assembly of raw or partly wrought materials into products or goods.

Mixed-use Development **-** The grouping of multiple significant uses within a single site or building such as retail, office, residential or lodging facilities. Examples include office buildings that contain ground-level retail and housing, plus projects that have separate office, retail and multifamily properties.

Modified Lease **-** A lease in which the landlord receives a stipulated rent, and payment of the property's operating expenses is divided between the lessor and lessee via specified terms in the lease; also called "Modified Gross," "Net-net" (Double Net), "Net-net-net" (Triple Net), etc., depending on the degree to which the tenant or landlord is responsible for operating costs.

Net Lease **-** A lease in which the tenant pays a share of operating expenses in addition to the stipulated rent. Disclosure of the specific expenses to be paid directly by the tenant is required.

Net Net Net (NNN) (Triple Net Lease) **-** Lease type in which the tenant generally pays for all operating expenses. May even include responsibility for roof and structural repair or replacement.

Commercial Real Estate Terms, continued

***Office Building* -** A structure providing environments that are conducive to the performance of management and administrative activities, accounting, marketing, information processing, consulting, human resources management, financial and insurance services, educational and medical services, and other professional services. At least 75 percent of the interior space is finished to accommodate office users, but the rest of the space can include other uses such as retail, restaurant or fitness.

***Owner Occupied Building* -** Buildings that are occupied by the owner and that generally are not included in the competitive inventory.

***Pop-up Retail* -** A retail store, restaurant or kiosk intentionally designed to be in a location for a finite amount of time (i.e., a restaurant that opens for six months so it can test a market, or a store that operates in a location during the holiday season only).

***Pre-Leased Space* -** The term applies to space that has been leased in a building that is under construction.

***Redevelopment* -** A building or site that involves teardown and rebuilding of most—if not all— structures on that site. This change typically occurs in sought-after areas that are usually well located, where buildings have become unattractive or obsolete or where there is a demand for different uses.

***Renewal Option* -** The right of a tenant to extend the lease term for a specified period of time at a predefined rental rate. In many instances, the rate is defined as a percentage of market rent, and in other instances, the rate is a specified dollar amount. An auto-renewal option is a type of renewal option whereby the lease term is extended automatically on the expiration date without any notification requirement. Often, there is a date by which this option must be executed; otherwise, the option expires.

***Renovation* -** Upgrading and modernizing common areas in a building such as lobbies, bathrooms, parking areas, etc. The tenant remains in the building, and the building use and square footage do not change. Renovation is often done together with a retrofit.

***Rentable Building Area (RBA)* -** The total square footage of a building that can be occupied by or assigned to a tenant for the purpose of determining a tenant's total rental obligation. Generally, RBA includes common areas in the building including hallways, lobbies, bathrooms and phone/data closets (synonym: gross building area).

***Retrofit* -** Modernization of building systems such as heating, ventilation and air conditioning (HVAC); security; fire alarms; and energy management. The tenant remains in the building, and the building use and square footage do not change. Retrofit is often done together with a renovation.

***Return on Investment (ROI)* -** A measure of the value created by a real estate investment. It is the difference between the net gains from investing in the property less the net cost from investing in the property divided by the purchase price of the property. Usually, it is reported as a percentage.

***Speculative* -** A building developed and constructed without any preleasing in place. Construction commences without a prelease when the developer believes there is so much demand for that type of building in that market or submarket that a lease commitment is bound to come through.

***Straight-line Rent* -** The accumulation of rental income (including months that have free rent, discounted rent and fixed-rent increases) divided by the term of the lease will generate a straight-line rent. Straight-line rent provides a way to compare rents on various properties using a consistent methodology.

***Turn-key* -** A term used to describe a landlord's agreement to provide and pay for improvements to a tenant's premises. The landlord is required to deliver the premises in a condition ready for the tenant's stipulated use.

***Under Construction* -** A building is under construction when construction permits have been obtained and site excavation has begun. If a site is being redeveloped, demolition of existing structures does not necessarily indicate that construction has begun. Sites are sometimes cleared years in advance of a groundbreaking.

Glossary

Financial Terms

Accounts payable **-** a record of all short-term (less than 12 months) invoices, bills and other liabilities yet to be paid. Examples of accounts payable include invoices for goods or services, bills for utilities and tax payments due.

Accounts receivable **-** a record of all short-term (less than 12 months) expected payments, from customers that have already received the goods/services but are yet to pay. These types of customers are called debtors and are generally invoiced by a business.

Assets **-** are things you own. These can be cash or something that can be converted into cash such as property, vehicles, equipment and inventory.

Audit **-** a physical check performed by an auditor or tax official on a business' financial records to check that everything is accounted for correctly.

Bad debts **-** money owed to you that is unlikely to be paid to you in the foreseeable future.

Balance sheet **-** a snapshot of a business as of a particular date. It lists all of a business' assets and liabilities and works out the net assets.

Bankrupt **-** an individual is bankrupt when they cannot pay their debts and aren't able to reach an agreement with their creditors.

Bankruptcy **-** a process where an individual is legally declared bankrupt and their assets and financial affairs are administered by an appointed trustee.

Benchmark **-** a set of conditions against which a product or business is measured.

Bill of sale **-** a legal document used in the purchase of property or other assets that details what was purchased, where the purchase took place, and for how much.

Bookkeeping **-** the process of recording the financial transactions of a business.

Bootstrapping **-** where a business funds growth purely through personal finances and revenue from the business.

Break-even point **-** the exact point when a business' income equals a business' expenses.

Budget **-** a listing of planned revenue and expenditure for a given period.

Capital **-** wealth in the form of money or property owned by a business.

Capital purchase **-** a one-off substantial purchase of physical items such as plant, equipment, building or land.

Cash **-** includes all money that is available on demand including bank notes and coins, petty cash, certain checks, and money in savings or debit accounts.

Cash flow **-** the measure of actual cash flowing in and out of a business.

Cash incoming **-** money that is flowing into the business.

Cash outgoing **-** money that is flowing out of the business.

Cost of goods sold **-** the total direct costs of producing a good or delivering a service.

Credit **-** a lending term used when a customer purchases a good or service with an agreement to pay at a later date (e.g. an account with a supplier, a store credit card or a bank credit card).

Creditor **-** a person or business that allows you to purchase a good or service with an agreement to pay at a later date. A creditor is also anyone who you owe money to, such as a lender or supplier.

Financial Terms, continued

Credit limit - a dollar amount that cannot be exceeded on a credit card or the maximum lending amount offered for a loan.

Credit rating - a ranking applied to a person or business based on their credit history that represents their ability to repay a debt

Credit history - a report detailing an individual or business past credit arrangements. A credit history is often sought by a lender when assessing a loan application.

Crowdfunding - Is a way of financing your business idea through donations of money from the public. This is usually done online, through a crowdfunding website.

Debit - in double-entry bookkeeping a debit is an entry made on the left hand side of a journal or ledger representing an asset or expense.

Debt - any amount that is owed including bills, loan repayments and income tax.

Debt consolidation - the process of combining several loans or other debts into one for the purposes of obtaining a lower interest rate or reducing fees.

Default - a failure to pay a loan or other debt obligation.

Depreciation - the process of expensing an asset over a period of time. An asset is depreciated to spread the cost of the asset over its useful life.

Disbursements - money that is paid out by a business.

Discount - a reduction applied to a full priced good or service. See also Markdown.

Equity - the value of ownership interest in the business, calculated by deducting liabilities from assets.

Finance - money used to fund a business or high value purchase.

Financial statement - a summary of a business' financial position for a given period. Financial statements can include a profit and loss, balance sheet and cash flow statement.

Fiscal year - a twelve month period typically from July 1 to June 30 or October 1 to September 30.

Fixed cost - a cost that cannot be directly attributed to the production of a good or service.

Fixed interest rate - when the interest rate of a loan remains the same for the term of the loan or an agreed timeframe.

Gap Financing - when a loan amount won't fully cover the needs of the business, and a secondary source of funding is used to make up the shortfall.

Gross income - the total money earned by a business before expenses are deducted.

Gross profit - (also known as net sales) the difference between sales and the direct cost of making the sales.

Guarantor - a person who promises to pay a loan in the event the borrower cannot meet the repayments. The guarantor is legally responsible for the debt.

Insolvent - a business or company is insolvent when they cannot pay their debts as and when they fall due.

Interest - the cost of borrowing money on a loan or earned on an interest-bearing account.

Interest rate - a percentage used to calculate the cost of borrowing money or the amount you will earn. Rates vary from product to product and generally the higher the risk of the loan, the higher the interest rate. Rates may be fixed or variable.

Inventory - an itemized list of goods or materials a business is holding for sale.

Inventory Control - knowing how your inventory moves through your business and where waste happens in that process

Investment - an asset purchased for the purpose of earning money such as shares or property.

Invoice - a document provided to a customer to request payment for a good/service received.

Financial Terms, continued

Liability **-** a financial obligation or amount owed.

Line of credit **-** an agreement allowing a borrower the ability to withdraw money from an account up to an approved limit.

Liquidate **-** to quickly sell all the assets of a company quickly and convert them into cash.

Liquidation **-** the process of winding up an insolvent company. An appointed administrator will do this by ceasing business operations, selling assets, and paying creditors and shareholders.

Liquidity **-** how quickly assets can be converted into cash.

Loan **-** a finance agreement where a business borrows money from a lender and pays it back in installments (plus interest) within a specified period of time.

Margin **-** the difference between the selling price of a good or service and the profit. Margin is generally worked out as a gross margin percentage which shows the proportion of profit for each sales dollar.

Mark down **-** a discount applied to a product during a promotion/sale for the purposes of attracting sales or for shifting surplus/discontinued products. See also Discount.

Maturity date **-** when a loan's term ends and all outstanding principal and interest payments are due.

Net assets **-** (also known as net worth, owner's equity or shareholder's equity) is the total assets minus total liabilities.

Net income **-** the total money earned by a business after tax and other deductions are taken out.

Net Profit **-** (also known as your bottom line) is the total gross profit minus all business expenses.

Overdrawn account **-** a credit account that has exceeded its credit limit or a bank account that has had more than the remaining balance withdrawn.

Overheads **-** the fixed costs associated with operating a business such as rent, marketing, utilities and administrative costs (see also fixed cost).

Personal Property **-** covers any property someone can own, except for land, buildings and fixtures. Examples include goods, furniture and equipment, cars, boats, planes, livestock and more.

Petty cash **-** cash for the purposes of small miscellaneous purchases such as postage.

Point of Sale system **-** a cash register that can handle the daily transactions of your business.

Principal **-** the original amount borrowed on a loan or the remainder of the original borrowed amount that is still owing (excluding the interest portion of the amount).

Profit **-** the total revenue a business earns minus the total expenses.

Profit and loss statement **-** (also known as an income statement) is a financial statement listing sales and expenses and is used to work out the gross and net profit of a business.

Pro Forma **-** a prediction of future financial transactions. Forecasts are often used to help plan a more accurate budget.

Receipt **-** a document provided to a customer to confirm payment and to confirm a good/service has been received.

Record keeping **-** the process of keeping or recording information that explain certain business transactions. Record keeping is a requirement under tax law.

Refinance **-** when a new loan is taken out to pay off an existing one. Refinancing is often done to extend the original loan over a longer period of time, reduce fees or interest rates, switch banks, or move from a fixed to variable loan.

Repossess **-** the process of a bank or other lender taking ownership of property/assets for the purpose of paying off a loan in default.

Financial Terms, continued

Retention of title - a type of clause that can be included in contracts where a buyer may physically receive property, but doesn't take legal ownership from the seller until the full purchase price is paid.

Return on investment (ROI) - a calculation that works out how efficient a business is at generating profit from the original equity provided by the owners/shareholders. It's a way of thinking about the benefit (return) of the money you've invested into the business. To calculate ROI, divide the gain (net profit) of the investment by the cost of the investment - the ROI is expressed as a percentage or a ratio.

Revenue - the amount earned before expenses, tax and other deductions are taken out.

Stock - the actual goods or materials a business currently has on hand.

Variable interest rate - when the interest rate of a loan changes with market conditions for the duration of the loan.

Variable cost - a cost that changes depending on the number of goods produced or the demand for the products/service.

Venture Capital - capital invested in a start-up business that is thought to have excellent growth prospects but does not have access to capital markets because it is a private company.

Working capital - the cash available to a business for day to day expenses.

CONTACT US
TODAY

573.442.8303

REDI@CoMo.gov

ColumbiaREDI.com

500 E. Walnut St., Suite 102
Columbia, MO 65201

Regional Economic Development Inc.

IEDC ACCREDITED