Priority Neighborhood Small Business Fund
Financial Review Process

GOAL

Review revenue information of finalist applications against financial documents provided with application, or, if insufficient, request additional information.

FINANCIAL REVIEW METHODOLOGY

Carefully balance the need for consistency in evaluating applications with the fact that each business and their application is unique.

We will check the revenue periods selected by applicant and ensure that they align (month vs. month or quarter vs. quarter.)

Preferred evaluation period: month, but quarter is acceptable

FINANCIAL REVIEW METHODOLOGY, cont.

Businesses with 12-month revenue history at the Denver site

❑ The following comparisons are acceptable:

- March 2019 to March 2020
- April 2019 to April 2020
- Q1 2019 to Q1 2020

❑ Other revenue periods may have been selected by businesses for specific reasons; there must be a very reasonable cause to accept those. Examples follow this slide.

DENVER
ECONOMIC DEVELOPMENT
& OPPORTUNITY

FINANCIAL REVIEW METHODOLOGY, cont.

Businesses with 12-month revenue history at the Denver site, cont.

❑ Business closed for construction in April 2019 and therefore asked their May 2019 revenue numbers to be compared with their April 2020 numbers.

❑ Business relocated and their historical data pertains to a different location with different characteristics.

Example: retailer in place for several years but with relocation to Denver in July 2019. Historic revenue information, such as April 2019, available but for previous location. Consider comparing first month of full operations at Denver site with April 2020 data.

❑ If seasonality is a factor (e.g., ice cream shop or a photographer), one would not want to compare July with April, look at monthly averages.

DENVER
ECONOMIC DEVELOPMENT
& OPPORTUNITY

FINANCIAL REVIEW METHODOLOGY, cont.

Businesses with less than 12- month revenue history

❑ With regard to businesses new or newer to Denver who have less than 12 months of revenue history at their Denver location, a nuanced approach appropriate to the specific situation is taken and based on the available information as provided by the applicant

For example, looking at month-to-month and quarter-to-quarter revenue information available and average revenue generated at the Denver site prior to COVID-19 impacts.

❑ **Accept month over month** only if it is a start-up with less than 12 months in business, unless there is a uniquely qualifying reason.

DENVER
ECONOMIC DEVELOPMENT
& OPPORTUNITY

FINANCIAL REVIEW METHODOLOGY, cont.

Businesses with less than 12- month revenue history, cont.

To account for seasonality:

- Sum the revenue from each month but the last (e.g., if you have financials July 2019 through April 2020, sum July 2019 through March 2020).
- Divide by the number of months
- Subtract the final month (e.g., April 2020) from the monthly average to arrive at the revenue loss.
- Divide the loss by the monthly average amount to arrive at revenue decline percentage.

Examples follow this slide.

DENVER
ECONOMIC DEVELOPMENT
& OPPORTUNITY

FINANCIAL REVIEW METHODOLOGY, cont.

Businesses with less than 12- month revenue history, cont.

Example:

- Average of July 2019 through March 2020 is $10,000.
- Revenue for April 2020 is $2,000.
- Subtract $2k from $10k, which equals $8,000 – the actual revenue decline as supported by fin docs provided.
- Divide $8,000 by $10,000 to arrive at the revenue decline percentage.

TYPES OF FINANCIAL DOCUMENTS

PROFIT & LOSS (P&L) STATEMENT

Breaks out revenue and expenses into separate sections, showing Net Income (rev less exp) over a set period of time
Accounting general ledger systems (like QuickBooks, SAP, NetSuite, SAGE, etc.) generate these based on accountant, bookkeeper, or business owner inputting transactions.

Also can be called:

- Income Statement
- Earnings Statement
- Revenue Statement
- Operating statement
- Statement of Operations
- Statement of Financial Performance

Profit and Loss Comparison
January - March, 2020 as compared to Jan - March 2019

	Total	
	Jan - Mar, 2020	Jan - Mar, 2019 (PY)
Income		
	2,652.00	17,055.02
Web Sales	1,205.42	0.00
Total Income	$ 3,857.42	$ 17,055.02
Cost of Goods Sold		
Cost of Goods Sold	2,587.83	3,038.54
Total Cost of Goods Sold	$ 2,587.83	$ 3,038.54
Gross Profit	$ 1,269.59	$ 14,016.48

SALES JOURNAL

- A subledger that keeps tracks of all sales on credit and cash sales on a set period of time
- Typically used by business selling and invoicing their sales for cash receipts later (i.e. manufacturing, retail).

SALES JOURNAL

Sample

Daily Sales for 3/1/202
created at 3/25/2020 1

OPEN CHECK AMOUNT (560.64)

NRGT 10,478,737.	Units	Sales	% Sales	Lunch 03:00am - 02:00pm Units	Sales	Afte 02:00pm Units
Average Check	977	71.86		0	0.00	3
Average Guest	1904	36.87		0	0.00	3
Voids	57	694.00		0	0.00	0
FOOD	3973	48,673.25	69.33	0	0.00	12
N/A BEV	145	409.00	0.58	0	0.00	0
BEER	195	842.50	1.20	0	0.00	0
WINE	199	2,018.63	2.88	0	0.00	0
LIQUOR	1497	18,229.00	25.96	0	0.00	1
DRINK PREP	25	36.00	0.05	0	0.00	0
Totals	6034	70,208.38	100.00	0	0.00	13
PIF		674.09				
To Go		51.62				
Subtotal		70,934.09				
Inclusive Tax		0.00				
Subtotal Discounts		0.00				
Net Sales		70,934.09				
Tax		5,746.05 on		70,934.09 exempt		0.00

POINT OF SALES (POS) REPORT

❑ Reports based on the data gathered by a point of sale system. Register data and activity is tracked at the point of sale terminal and that data is stored for future analysis

❑ Widely used in hospitality and retail industry to track sales in real time. It's basically a sub-ledger to their general ledger system that just tracks sales revenue.

OTHER REPORTS

Credit Card (CC) Reports

May not be completely inclusive of all the company's sales/revenue for the period under review, but a good approximator for industries with high volume CC transactions

Forecast Sales Report

Some applicants may include a full year cash flow forecast or sales forecast. Ensure that period under review includes actual results.

SELF GENERATED REPORTS

Excel Reports

- 18% of Small Business don't have a electronic accounting system
- Less reliable but can be substantiated
- Bank statements, tax reports

Pen and Paper

It may happen

THINGS TO CONSIDER

☐ 2019 and 2020 May Not Be Apples to Apples

- Business merge, start new business lines, and have sales growth. Business also retract.
- Companies may provide pro-forma statements, basically adding or removing certain aspects of the business of true comparisons.

☐ New Business Considerations

- May need to look month to month comparisons (Feb 2020 vs. March 2020), if there are not good historic comparisons to 2019.

Thank you
Have questions?

Contact us at:
NEST@denvergov.org
720-913-1915