PROSPERA

Instructions for Using Prospera's Financial Projection Template

The spreadsheet is password protected, and you will not be able to make changes to protected cells and formulas. Reach out to your business advisor at Prospera if you believe the spreadsheet needs to be adjusted to your individual needs.

A note for seasonal businesses: Variable expenses cannot be adjusted month to month and, therefore, will need to be averaged out over the course of 12 months. The monthly expenses may alter the accuracy of your cash flow if you do not pay some of your expenses monthly. Reach out if you have questions.

Quick Tips for Using the Template

- Enter only in the blue highlighted/input cells (other cells are formula-driven and are password protected).
- Start by filling in the Revenue-Cost-Margin tab, then move on to the Operating Expenses tab, and then the Wages tab.
- Once you've added data to the Revenue-Cost-Margin, Operating Expenses, and Wages tab, review the Cash Flow tab. The Cash Flow tab is where you will add Start Up Expenses in Rows B.
- Loan Calculator #1 or #2 are the same, only use both if you have two loans or will have two loans if approved. If you do not have a loan, leave blank.
- Review the Cash Flow, Income Statement, and Balance Sheet as you enter data and look for inaccuracies.

Revenue-Cost-Margin Tab

This tab will be where you enter your sales items, cost of production, and sales estimates. The sheet will calculate your net revenue/gross margin, or the money left over after the direct costs of sales.

- Enter your sales items on lines Thing 1-10. Do not try to add additional lines, this will cause an issue with the formulas.
- Once you've added your sales items, input the direct costs of each item (cost of goods sold, materials, direct labor, packaging etc. – see glossary on page 5 for definitions). The sheet will use the direct costs to calculate contribution margin and gross margin.
- Next, add projected sales activity (i.e. the number of each item/service you expect to sell each month) and remember, these are all estimates – be conservative! Year 1, Month 1 = Y1M1. Be sure to account for days/month your business will be closed or not generating revenue.
- It is important you start adding data in the months you plan on starting to generate revenue. The title cells for the months are not protected, so you can rename the months to fit your startup/operating timeline accordingly.
- Continue to add projected sales activity Year 1 through Year 3 (scroll to the right).
- Optional: If you have more than 10 products/services, you can add a new sheet to the spreadsheet to list all your products/services and then group similar products in groups to fit within the 10 products/services sales items lines.

Operating Expenses

As a start-up business some costs will be one-time initial costs, others will continue as monthly/annual operating expenses. This sheet is accounting for ongoing operating expenses. One time start-up expenses will be entered on the Cash Flow sheet.

- List expenses (rent, utilities, insurance, marketing, etc.) on a monthly basis. Be sure to account for proportional growth in expenses relative to growth in revenue and be sure to increase expenses each year as your business grows.
- Taxes: Set aside 25-30% of gross revenue for taxes. The taxes as an expense are entered on a monthly basis, so you will need to divide total revenue for each year by 12.
- Owners Draws: If the owner is being paid a salary, you will enter that on the Wages tab. If the owner is being paid through Owner's Draws, you will enter that monthly amount here.
- Totals from the Expense tab feed into the cash flow and income statement.

Wages

This sheet will be used to calculate the cost of your employees, including expenses to the business for payroll taxes and employee benefits. Wages entered on this sheet will carry through to the overall financials automatically (cash flow tab, operating expenses tab, balance sheet, income statement).

- Hourly Wages:
  - Start with all hourly employee wages, hours, and benefits. You must add a # of employees for the calculations to occur. Employment taxes (columns E through H) will generate automatically and are based on 2025 Federal / MT state tax rates.
  - Be sure to include monthly benefits costs if you plan to offer them (Column I) and keep scrolling to the right to view Wages + Benefit totals.
- Salary Wages
  - Include owner's salary, if applicable, and other salaried employees.

Cash Flow

A cash flow statement shows how cash moves into and out of a business over a period of time, breaking it down into operating, investing, and financing activities. It helps owners whether the business generates enough cash to cover expenses and meet financial obligations. A business can make a profit and still run out of cash!

- The first column labeled Startup Position is for one-time expenses related to starting your business. Enter summary values for all expenses per category prior to the first month that you will be 'open' or generating revenue. After opening, you will enter ongoing expenses in the Operating Expenses tab.
  - **Leasehold improvements** - alterations made to leased space for a specific tenant's needs. Any money you spend on getting your leased space ready prior to opening your doors.
  - **Fixed assets** - are physical or tangible assets a company owns and uses in its business operations. These assets, which are often equipment or property, provide the owner with long-term financial benefits and are commonly depreciated over time.
  - **Inventory Purchases** - The costs associated with acquiring or producing goods prior to opening that a company intends to sell.
- The Starting Balance (Cash on hand) value (B4) is for the cash reserves/account balance not already included in your startup position expense categories. This is a cash buffer.
- Review cash inflows (revenue, loans, investments) and outflows (expenses, wages, loan payments).
- Ensure monthly ending balances are positive, or plan for financing.

Income Statement

An income statement summarizes a business's revenues, expenses, and profits (or losses) over a specific period of time. It shows how well the company is performing financially by highlighting whether it is generating a net income or incurring a net loss.

- Review monthly and annual profitability.
- Check if your business model is sustainable.
- Earnings Calculations – the sheet will calculate the following values automatically.
  - EBITA (Earnings Before Interest, Taxes, and Amortization) - A measure of a company's profitability that excludes interest, taxes, and amortization expenses.
  - EBIT (Earnings Before Interest and Taxes): A measure of operating profit that excludes interest and tax expenses.
  - EBT (Earnings Before Taxes): A measure of profitability after accounting for interest but before taxes are deducted.
- Depreciation is usually calculated by spreading the cost of an asset (minus any salvage value) over its useful life. The most common method is straight-line depreciation, using the formula:
  - Annual depreciation expense = (Initial cost of equipment – salvage value)/ useful life in years.
  - Depreciation is complex and assets have variable depreciation rates. We recommend consulting with an accountant.

Balance Sheet

A balance sheet provides a snapshot of a business's financial position at a specific point in time by listing its assets, liabilities, and owner's equity. It shows what the company owns, what it owes, and the residual value that belongs to the owners.

- Confirm assets = liabilities + equity.
- Data pulls from earlier tabs, so ensure inputs are accurate.
- Depreciation Expense – how do we explain how to calculate this?

Loan Calculator #1

This sheet helps calculate the cost of borrowing money over time. The variables that you enter are the total amount of the loan, interest rate, and length of the loan term. The sheet will calculate monthly principal and interest payments, total repayment amount, and relevant dates.

- Enter loan amount, interest rate, and repayment term. The standard business loan term is 5 years. Once the loan information is added to this sheet, the loan payment principal and interest amounts will automatically carry over into the cash flow sheet in Row C15 (Loan Calculator #1) or Row C16 (Loan Calculator #2). A reasonable rate for estimation purposes only would be Prime rate plus two interest points.
- Results feed into cash flow and balance sheet.

Loan Calculator #2

- Same as Calculator #1, for a second loan scenario.
- Compare financing options side by side.