



**CASH for GROWTH**

# Agenda

- Financial Literacy
- Financial Statements Analysis (P&L and Balance Sheet)
- Cash Flow Analysis
- Business Financing/Funding Options
- Questions / Comments

# Joining Us Today - Ace Tarakchian



[Ace.tarakchian@ociesbdc.com](mailto:Ace.tarakchian@ociesbdc.com)

## Experience

- 9 years business consulting: Education, Healthcare, Tech, Bioengineering, Entertainment & Media, Wholesale and Nonprofits.
- Private SME companies and franchises throughout the U.S., Canada, South America, UK, and UAE.
- Operations, Financial Analysis, Forecasting/Projections, Startup Assistance, Business Planning.

## Education

- MBA - University of California: Irvine
- BS - University of California: Irvine - Biological Sciences
- PMP - Project Management Institute
- Certificate Program in Public Procurement - The World Bank
- Business Foundations Specialization - Wharton School of UPenn

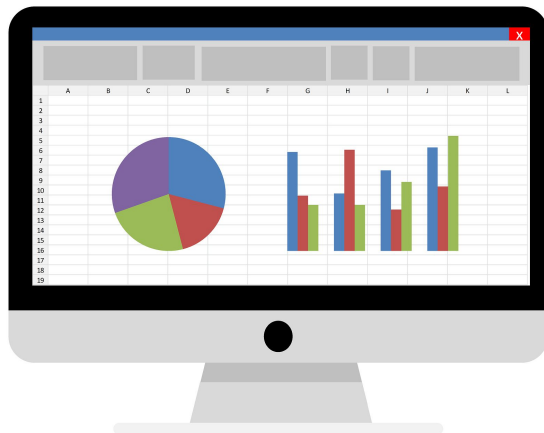
# Let's Talk Finance



# Benefits of Financial Management

Reach your goals by making sound business decisions:

- Know your profitability
- Forecast your growth
- Plan diversification, new product lines, expanding new markets
- Financing/loans



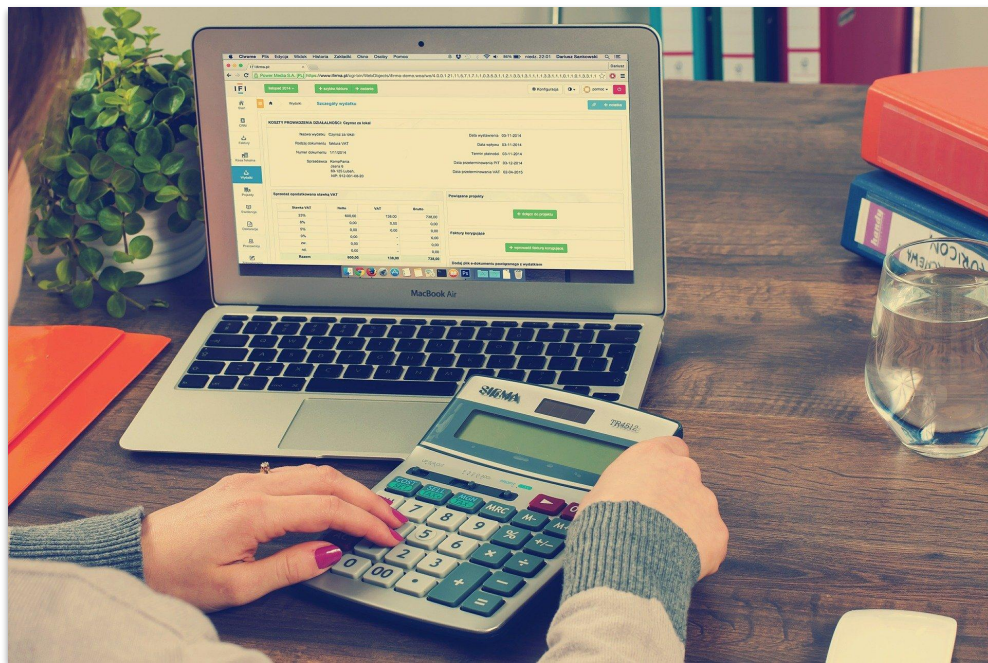
Tools for financial management:

- Quickbooks
- Xero
- Freshbooks
- Quicken
- Wave
- Excel

# Financial Guidance

Hire an area expert to help you setup your accounts

- **Bookkeeper** - Couple times a month (\$25-\$35/hour)
- **Accountant** - Quarterly (\$50-\$95/hr)
- **CPA** - Yearly (\$750-several thousand)





# Budgeting

**Budget** - list of all (monthly or yearly) expenses, organized by categories.

Tool that helps you:

- Track all your business expenses
- Plan for the future
- Economize when you need to
- Plan for expansion
- Make a profit

**Compare with actual expenditures**



# Financial Statements

THREE (3) most common and basic financial reports from all companies (in addition to tax-related reports)

- Profit and Loss Statement (P&L) - aka Income Statement
- Balance Sheet
- Cash Flow Statement

Used to obtain **firm and accurate understanding of company's finances**



# Profit and Loss Statement

**P&L - What Is It?** A financial statement that summarizes the revenues, costs and expenses incurred during a specified period

- Line Items - Chart of Accounts
- Revenue streams, expenses
- Payroll implications
- Monthly, quarterly, yearly reports
- Are you profitable or not?

# Profit & Loss Statement

- Summarizes all revenues earned and expenses incurred during a specified period
- Tracks profitability
- How buying and selling process has been managed

+ Sales/Revenue  
- Cost of Goods Sold (COGS)  
= Gross Profit  
- Overhead (SG&A)  
= Net Profit



# Profit & Loss Statement

## Net Profit

- Owner's draw (sole proprietor)
- Expansion and equipment
- Loan/debt payment
- Income taxes



# Review Profit & Loss Statement



Cash Basis

## Rock Castle Construction Profit & Loss January through December 2019

	TOTAL
Ordinary Income/Expense	
Income	
40100 - Construction Income	
40110 - Design Income	3,400.00
40130 - Labor Income	25,107.71
40140 - Materials Income	51,205.14
40150 - Subcontracted Labor Income	114,085.79
Total 40100 - Construction Income	193,798.64
40500 - Reimbursement Income	
40520 - Permit Reimbursement Income	1,827.84
Total 40500 - Reimbursement Income	1,827.84
Total Income	195,626.48
Cost of Goods Sold	
50100 - Cost of Goods Sold	8,182.46
54000 - Job Expenses	
54300 - Job Materials	12,171.60
54400 - Permits and Licenses	225.00
54500 - Subcontractors	53,350.00
Total 54000 - Job Expenses	65,746.60
Total COGS	73,929.06
Gross Profit	121,697.42
Expense	
60100 - Automobile	
60110 - Fuel	1,715.00
60120 - Insurance	2,850.24
60130 - Repairs and Maintenance	2,550.00
Total 60100 - Automobile	7,115.24
60600 - Bank Service Charges	150.00
60900 - Depreciation Expense	44,435.91
62100 - Insurance	
62110 - Disability Insurance	600.00
62120 - Liability Insurance	5,092.98
62130 - Work Comp	3,300.00
Total 62100 - Insurance	8,992.98
62400 - Interest Expense	
62420 - Loan Interest	4,705.48
Total 62400 - Interest Expense	4,705.48
63600 - Professional Fees	
63610 - Accounting	250.00
Total 63600 - Professional Fees	250.00
64200 - Repairs	
64220 - Computer Repairs	714.00
64230 - Equipment Repairs	1,800.00
Total 64200 - Repairs	2,514.00
64800 - Tools and Machinery	1,457.91
65100 - Utilities	
65110 - Gas and Electric	2,373.43
65120 - Telephone	1,503.00
65130 - Water	493.00
Total 65100 - Utilities	4,369.43
Total Expense	73,990.95
Net Ordinary Income	47,706.47
Other Income/Expense	
Other Income	
70200 - Interest Income	281.03
Total Other Income	281.03
Net Other Income	281.03
Net Income	47,987.50

# Review Profit & Loss Statement

Five basic sections:

- Income/Revenue
- Costs of Goods Sold (COGS)
- Expenses
- Other Income/Expenses
- Net Income

Cash Basis

Rock Castle Construction  
Profit & Loss  
January through December 2019

	TOTAL
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# Review - P&L 2019 Income

- Subaccounts
- More detailed
- Snapshot of the year
- How do you compare to your industry?

## Rock Castle Construction Profit & Loss

Cash Basis

January through December 2019

	TOTAL
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54500 · Subcontractors	53,350.00
Total 54000 · Job Expenses	65,746.60
Total COGS	73,929.06
Gross Profit	121,697.42



# Review - P&L 2019 Cost of Goods

## Cost of Goods Sold

50100 · Cost of Goods Sold

8,182.46

54000 · Job Expenses

54300 · Job Materials

12,171.60

54400 · Permits and Licenses

225.00

54500 · Subcontractors

53,350.00

Total 54000 · Job Expenses

65,746.60

Total COGS

73,929.06

# Review - P&L

## 2019 Expenses

- Subaccounts
- More detailed
- Snapshot of the year
- How do you compare to your industry?

Expense	
60100 · Automobile	
60110 · Fuel	1,715.00
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# Review Profit & Loss Statement



## COMPARISON

Rock Castle Construction Profit & Loss January through March 2019			
Cash Basis	Jan - Mar 19	Jan - Mar 18	\$ Change
Ordinary Income/Expense			
Income			
40100 - Construction Income			
40110 - Design Income	9,450.00	1,000.00	8,450.00
40130 - Labor Income	43,004.25	13,211.99	29,792.26
40140 - Materials Income	11,784.47	39,600.51	-27,816.04
40150 - Subcontracted Labor Income	4,507.16	22,939.67	-18,432.51
Total 40100 - Construction Income	68,745.88	76,752.17	-8,006.29
40500 - Reimbursement Income			
40520 - Permit Reimbursement Income	311.75	992.84	-681.09
Total 40500 - Reimbursement Income	311.75	992.84	-681.09
Total Income	69,057.63	77,745.01	-8,687.38
Cost of Goods Sold			
50100 - Cost of Goods Sold	643.01	7,722.10	-7,079.09
54000 - Job Expenses			
54300 - Job Materials	13,366.14	4,050.98	9,315.16
54500 - Subcontractors	1,100.00	11,150.00	-10,050.00
Total 54000 - Job Expenses	14,466.14	15,200.98	-734.84
Total COGS	15,109.15	22,923.08	-7,813.93
Gross Profit	53,948.48	54,821.93	-873.45
Expense			
60100 - Automobile			
60110 - Fuel	455.00	407.00	48.00
60120 - Insurance	712.56	712.56	0.00
60130 - Repairs and Maintenance	685.00	672.00	13.00
Total 60100 - Automobile	1,852.56	1,791.56	61.00
60600 - Bank Service Charges	37.50	37.50	0.00
62100 - Insurance			
62110 - Disability Insurance	150.00	150.00	0.00
62120 - Liability Insurance	1,496.49	1,050.00	446.49
62130 - Work Comp	3,235.79	825.00	2,410.79
Total 62100 - Insurance	4,882.28	2,025.00	2,857.28
62400 - Interest Expense			
62420 - Loan Interest	695.23	1,422.34	-727.11
Total 62400 - Interest Expense	695.23	1,422.34	-727.11
62700 - Payroll Expenses			
62710 - Gross Wages	25,176.95	0.00	25,176.95
62720 - Payroll Taxes	1,926.04	0.00	1,926.04
62730 - FUTA Expense	133.00	0.00	133.00
62740 - SUTA Expense	889.41	0.00	889.41
Total 62700 - Payroll Expenses	28,125.40	0.00	28,125.40
64200 - Repairs			
64230 - Equipment Repairs	450.00	450.00	0.00
Total 64200 - Repairs	450.00	450.00	0.00
64800 - Tools and Machinery			
65100 - Utilities	0.00	268.39	-268.39
65110 - Gas and Electric	233.57	1,170.76	-937.19
65120 - Telephone	181.11	783.00	-601.89
65130 - Water	72.00	277.00	-205.00
Total 65100 - Utilities	486.68	2,230.76	-1,744.08
Total Expense	36,529.65	8,225.55	28,304.10
Net Ordinary Income	17,418.83	46,596.38	-29,177.55
Other Income/Expense			
Other Income			
70200 - Interest Income	87.03	93.42	-6.39
Total Other Income	87.03	93.42	-6.39
Net Other Income	87.03	93.42	-6.39
Net Income	17,505.86	46,689.80	-29,183.94

# Review - P&L Comparison

How does it compare  
to the previous time  
period?

Cash Basis

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# Review - P&L

## Comparison:

## Expenses

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# Balance Sheets

Statement of all *assets*, *liabilities* and shareholders' equity (*capital*) of a business

- **Assets = Liabilities + Shareholders' Equity**
- Snapshot of a business
- Prepared at conclusion of accounting periods

**Assets** - everything of value

**Liabilities** - everything you owe

**Owner's Equity** - *your* assets





# Review Balance Sheet - Year End Report

- What does it tell us?
- Assets match Liabilities
- Close out the year - Tax returns
- Overall Health of business

Rock Castle Construction Balance Sheet As of December 31, 2019	
Cash Basis	Dec 31, 19
<b>ASSETS</b>	
Current Assets	
Checking/Savings	
10100 - Checking	36,810.16
10300 - Savings	15,881.03
10400 - Petty Cash	500.00
Total Checking/Savings	53,191.19
Accounts Receivable	
11000 - Accounts Receivable	58.32
Total Accounts Receivable	58.32
Other Current Assets	
12000 - Undeposited Funds	18,252.08
12100 - Inventory Asset	12,767.04
12800 - Employee Advances	770.00
13100 - Pre-paid Insurance	4,943.02
13400 - Retainage Receivable	1,796.72
Total Other Current Assets	38,528.86
Total Current Assets	91,778.37
Fixed Assets	
15000 - Furniture and Equipment	22,826.00
15100 - Vehicles	78,936.91
15200 - Buildings and Improvements	325,000.00
15300 - Construction Equipment	15,300.00
16900 - Land	90,000.00
17000 - Accumulated Depreciation	-110,344.60
Total Fixed Assets	421,718.31
Other Assets	
18700 - Security Deposits	1,720.00
Total Other Assets	1,720.00
<b>TOTAL ASSETS</b>	<b>515,216.68</b>
<b>LIABILITIES &amp; EQUITY</b>	
Liabilities	
Current Liabilities	
Accounts Payable	
20000 - Accounts Payable	13,100.00
Total Accounts Payable	13,100.00
Credit Cards	
20600 - CalOil Credit Card	530.00
Total Credit Cards	530.00
Other Current Liabilities	
25500 - Sales Tax Payable	-270.38
Total Other Current Liabilities	-270.38
Total Current Liabilities	13,359.62
Long Term Liabilities	
23000 - Loan - Vehicles (Van)	16,290.52
23100 - Loan - Vehicles (Utility Truck)	19,936.91
23200 - Loan - Vehicles (Pickup Truck)	22,641.00
28100 - Loan - Construction Equipment	14,343.11
28200 - Loan - Furniture/Office Equip	21,000.00
28700 - Note Payable - Bank of Anycity	31,180.52
28900 - Mortgage - Office Building	296,283.00
Total Long Term Liabilities	421,675.06
Total Liabilities	435,034.68
Equity	
30000 - Opening Bal Equity	38,773.75
30100 - Capital Stock	500.00
32000 - Retained Earnings	-7,079.25
Net Income	47,987.50
Total Equity	80,182.00
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>515,216.68</b>

# Balance Sheet - 2019 Year End Report Assets

- Current Assets
- Accounts Receivable
- Inventory Asset
- Fixed Assets (aka Plant, Property, & Equipment)
- Intangible Assets

Cash Basis

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	Dec 31, 19
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<b>TOTAL ASSETS</b>	<b>515,216.68</b>

# Balance Sheet - 2019 Year End Report Liabilities

- Accounts Payable
- Current Liabilities
- Long-Term Liabilities
- Notes Payable
- Capital Stock (aka Share Capital)
- Retained Earnings

<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts Payable	
20000 · Accounts Payable	13,100.00
Total Accounts Payable	13,100.00
Credit Cards	
20600 · CalOil Credit Card	530.00
Total Credit Cards	530.00
Other Current Liabilities	
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23100 · Loan - Vehicles (Utility Truck)	19,936.91
23200 · Loan - Vehicles (Pickup Truck)	22,641.00
28100 · Loan - Construction Equipment	14,343.11
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28700 · Note Payable - Bank of Anycity	31,180.52
28900 · Mortgage - Office Building	296,283.00
Total Long Term Liabilities	421,675.06
Total Liabilities	435,034.68
<b>Equity</b>	
30000 · Opening Bal Equity	38,773.75
30100 · Capital Stock	500.00
32000 · Retained Earnings	-7,079.25
Net Income	47,987.50
Total Equity	80,182.00
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>515,216.68</b>

# Balance Sheet -

## Period Comparison:

### Assets

- What does it tell us?

Rock Castle Construction			
Balance Sheet			
Cash Basis			
As of March 31, 2019			
	Mar 31, 19	Mar 31, 18	\$ Change
<b>ASSETS</b>			
Current Assets			
Checking/Savings			
10100 - Checking	42,951.86	29,575.97	13,375.89
10300 - Savings	15,968.06	15,693.42	274.64
10400 - Petty Cash	500.00	500.00	0.00
Total Checking/Savings	59,419.92	45,769.39	13,650.53
Accounts Receivable			
11000 - Accounts Receivable	984.53	-271.53	1,256.06
Total Accounts Receivable	984.53	-271.53	1,256.06
Other Current Assets			
12000 - Undeposited Funds	21,752.08	0.00	21,752.08
12100 - Inventory Asset	11,197.82	13,507.25	-2,309.43
12800 - Employee Advances	770.00	770.00	0.00
13100 - Pre-paid Insurance	2,471.53	2,025.00	446.53
13400 - Retainage Receivable	1,796.72	1,796.72	0.00
Total Other Current Assets	37,988.15	18,098.97	19,889.18
Total Current Assets	98,392.60	63,596.83	34,795.77
Fixed Assets			
15000 - Furniture and Equipment	22,826.00	22,826.00	0.00
15100 - Vehicles	78,936.91	78,936.91	0.00
15200 - Buildings and Improvements	325,000.00	325,000.00	0.00
15300 - Construction Equipment	15,300.00	15,300.00	0.00
16900 - Land	90,000.00	90,000.00	0.00
17000 - Accumulated Depreciation	-110,344.60	-65,908.69	-44,435.91
Total Fixed Assets	421,718.31	466,154.22	-44,435.91
Other Assets			
18700 - Security Deposits	1,720.00	1,720.00	0.00
Total Other Assets	1,720.00	1,720.00	0.00
<b>TOTAL ASSETS</b>	<b>521,830.91</b>	<b>531,471.05</b>	<b>-9,640.14</b>

# Balance Sheet - Period Comparison: *Liabilities*

- What does it tell us?

LIABILITIES & EQUITY			
Liabilities			
Current Liabilities			
Accounts Payable			
20000 · Accounts Payable	5,400.03	5,000.00	400.03
Total Accounts Payable	5,400.03	5,000.00	400.03
Credit Cards			
20600 · CalOil Credit Card	2,142.00	0.00	2,142.00
Total Credit Cards	2,142.00	0.00	2,142.00
Other Current Liabilities			
24000 · Payroll Liabilities	3,811.91	0.00	3,811.91
25500 · Sales Tax Payable	-382.54	0.00	-382.54
Total Other Current Liabilities	3,429.37	0.00	3,429.37
Total Current Liabilities	10,971.40	5,000.00	5,971.40
Long Term Liabilities			
23000 · Loan - Vehicles (Van)	15,353.59	20,376.27	-5,022.68
23100 · Loan - Vehicles (Utility Truck)	19,936.91	19,936.91	0.00
23200 · Loan - Vehicles (Pickup Truck)	22,641.00	22,641.00	0.00
28100 · Loan - Construction Equipment	14,343.11	14,343.11	0.00
28200 · Loan - Furniture/Office Equip	21,000.00	21,000.00	0.00
28700 · Note Payable - Bank of Anycity	23,614.04	53,006.46	-29,392.42
28900 · Mortgage - Office Building	296,283.00	296,283.00	0.00
Total Long Term Liabilities	413,171.65	447,586.75	-34,415.10
Total Liabilities	424,143.05	452,586.75	-28,443.70
Equity			
30000 · Opening Bal Equity	38,773.75	38,773.75	0.00
30100 · Capital Stock	500.00	500.00	0.00
32000 · Retained Earnings	40,908.25	-7,079.25	47,987.50
Net Income	17,505.86	46,689.80	-29,183.94
Total Equity	97,687.86	78,884.30	18,803.56
TOTAL LIABILITIES & EQUITY	521,830.91	531,471.05	-9,640.14

# Cash Flow Projection

## What is Cash Flow?

- Total amount of money transferred into and out of a business, especially as affecting liquidity.

## What is it Used For?

- Setting goals
- Predict cash shortage or jump in revenue
- Planning purchases
- Tracking liquidity
- Financing needs
- Letting go/furloughing employees
- Plan and repay lenders





# Create Up-to-Date Cash Flow Forecasts

Forecasts are educated projections.

## What are Plans A, B, and C?

1. Most likely - What if things go as predicted?
2. Best-case - What if things go better than expected?
3. Worst-case - What if things go worse than expected?

**Start with Revenue.**

# Cash Flow Modeling - Revenue Streams

- What were your revenue streams for 2018, 2019 and 2020?
- What do your income streams look like today?
- What changes in your revenue do you anticipate:
  - 3 months, 6 month, 12 month, Beyond!
- Can you financially survive the pandemic?
- Can you pivot and at what cost?

# Cash Flow - Revenue Streams

	4/26/2020			
	Revenue Streams	Type	Cost	Likelihood
1	Retail Sales	Transactional	None - in place	Likely but declining -
2	Online retail sales	Transactional	Need to spend \$	Increasing
3	Curbside			
4	Subscription	Reoccurring		
5	Wholesale			

Small Business Cash Flow  
Projection

Mar-20

Cash balance alert minimum

# Small Business Cash Flow Projection

	Beginning	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Total
Cash on hand (beginning of month)	25,000	25,000	29,710	29,895	8,730	-1,740	45,118	216,281	191,059	165,402	141,120	117,958	94,461	
<b>CASH RECEIPTS</b>		<b>Month 1</b>	<b>Month 2</b>	<b>Month 3</b>	<b>Month 4</b>	<b>Month 5</b>	<b>Month 6</b>	<b>Month 7</b>	<b>Month 8</b>	<b>Month 9</b>	<b>Month 10</b>	<b>Month 11</b>	<b>Month 12</b>	<b>Total</b>
Revenue Type Retail		55,000	48,000	8,500	2,000	1,500	2,500	3,500	1,500	2,500	2,500	3,500	4,500	135,500
Revenue Type -Wholesale		20,000	18,500	7,500	1,500	1,000	2,000	2,500	2,500	3,500	4,500	5,000	5,500	74,000
Revenue Type - Online		4,000	3,000	1,000	2,500	3,500	4,500	5,500	6,000	6,500	9,500	12,500	15,000	73,500
Revenue Type - Sub/Service		15,000	15,000	12,000	8,000	3,500	2,500	2,500	3,500	4,500	5,000	5,500	6,500	83,500
Revenue Type -														
Returns and allowances														0
Collections on accounts receivable														0
Interest, other income														0
Loan proceeds PPP						62,500								62,500
Loan proceeds EIDL							200,000							
Owner contributions														0
<b>TOTAL CASH RECEIPTS</b>		94,000	84,500	29,000	14,000	72,000	211,500	14,000	13,500	17,000	21,500	26,500	31,500	429,000
<b>Total cash available</b>	25,000	29,710	29,895	8,730	-1,740	45,118	216,281	191,059	165,402	141,120	117,958	94,461	72,657	
<b>CASH PAID OUT</b>		<b>Month 1</b>	<b>Month 2</b>	<b>Month 3</b>	<b>Month 4</b>	<b>Month 5</b>	<b>Month 6</b>	<b>Month 7</b>	<b>Month 8</b>	<b>Month 9</b>	<b>Month 10</b>	<b>Month 11</b>	<b>Month 12</b>	<b>Total</b>
Advertising		2,820	2,535	870	420	2,160	10,575	700	675	850	1,075	1,325	1,575	25,580
Bank Charges														0
Commissions and fees														0
Contract labor		500	1,250	500	250				250	250	250	250	500	4,000
Employee benefit programs		500	500	500	500	500	500	500	500	500	500	500	500	6,000
Gifts and Charity			250									250		500
Insurance (other than health)		450	450	450	450	450	450	450	450	450	450	450	450	5,400
Interest expense PPP						52	52	52	52	52	52	52	49	413
Interest expense EIDL														0
COGS 1		27,500	24,000	4,250	1,000	750	1,250	1,750	750	1,250	1,250	1,750	2,250	67,750
COGS 2		14,000	12,950	5,250	1,050	700	1,400	1,750	1,750	2,450	3,150	3,500	3,850	51,800
COGS 3		3,000	2,250	750	1,875	2,625	3,375	4,125	4,500	4,875	7,125	9,375	11,250	55,125
COGS 4		3,000	3,000	2,400	1,600	700	500	500	700	900	1,000	1,100	1,300	16,700
COGS 5		0	0	0	0	0	0	0	0	0	0	0	0	0
Meals and entertainment		200	200	200										600
Merchant Services		2,220	1,980	645	375	255	285	345	330	405	510	645	780	8,775
Miscellaneous		150	150	150				100	100	100	100	100	100	1,050
Mortgage interest														0

# Business Financing

Getting money you need to start, operate, or grow

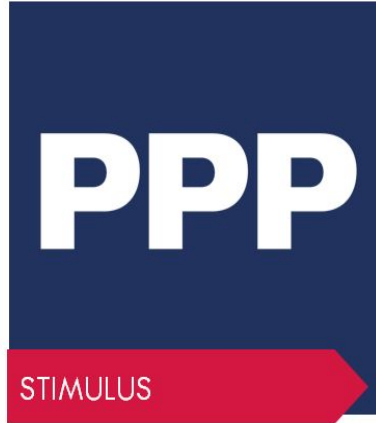
- Equity financing
- Debt financing
- Working capital
- Fixed assets financing



# Business Financing - Funding options



**Economic Injury  
Disaster Loan  
(EIDL)**



**Paycheck  
Protections  
Program (PPP)**



**SBA Business Financing,  
Alternative Lenders,  
Grants, Friends &  
Family**



# Access to Capital

## SBDC Access to Capital Checklist



- Tax Returns
- Interim Financials (P&L and Balance Sheet)
- Projections
- Executive Summary
- Bank Plan

# Financial Forecasting



Financial forecasting is the process of estimating or predicting how a business will perform in the future.

- Financial Statements
- Cash Flow Projections
- Market Research Report (industry-specific)

# Next Steps

- Schedule a 1:1 meeting with your SBDC consultant
- Review your 2020 and year-to-date financials
- Work on your cash flow
- Survive the pandemic and plan to grow afterwards!

We're  
Here to Help



Accurate Information



Answers to Your Questions



Step-by-Step Guidance

Contact Us!

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