



## **Jolly's Java and Bakery**

January, 2001

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# Jolly's Java and Bakery

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## 1.0 Executive Summary

### **Introduction**

Jolly's Java and Bakery (JJB) is a start-up coffee and bakery retail establishment located in southwest Washington. JJB expects to catch the interest of a regular loyal customer base with its broad variety of coffee and pastry products. The company plans to build a strong market position in the town, due to the partners' industry experience and mild competitive climate in the area.

JJB aims to offer its products at a competitive price to meet the demand of the middle-to higher-income local market area residents and tourists.

### **The Company**

JJB is incorporated in the state of Washington. It is equally owned and managed by its two partners.

Mr. Austin Patterson has extensive experience in sales, marketing, and management, and was vice president of marketing with both Jansonne & Jansonne and Burper Foods. Mr. David Fields brings experience in the area of finance and administration, including a stint as chief financial officer with both Flaxfield Roasters and the national coffee store chain, BuzzCups.

The company intends to hire two full-time pastry bakers and six part-time baristas to handle customer service and day to day operations.

### **Products and Services**

JJB offers a broad range of coffee and espresso products, all from high quality Columbian grown imported coffee beans. JJB caters to all of its customers by providing each customer coffee and espresso products made to suit the customer, down to the smallest detail.

The bakery provides freshly prepared bakery and pastry products at all times during business operations. Six to eight moderate batches of bakery and pastry products are prepared during the day to assure fresh baked goods are always available.

### **The Market**

The retail coffee industry in the U.S. has recently experienced rapid growth. The cool marine climate in southwest Washington stimulates consumption of hot beverages throughout the year.

JJB wants to establish a large regular customer base, and will therefore concentrate its business and marketing on local residents, which will be the dominant target market. This will establish a healthy, consistent revenue base to ensure stability of the business. In addition, tourist traffic is expected to comprise approximately 35% of the revenues. High visibility and competitive products and service are critical to capture this segment of the market.

### **Financial Considerations**

JJB expects to raise \$110,000 of its own capital, and to borrow \$100,000 guaranteed by the SBA as a ten-year loan. This provides the bulk of the current financing required.

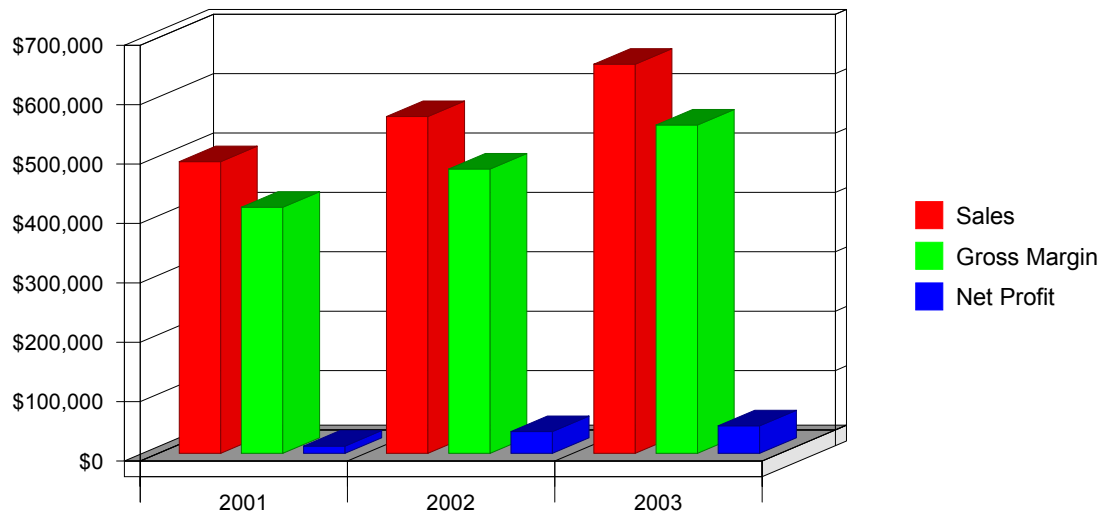
JJB anticipates sales of about \$491,000 in the first year, \$567,000 in the second year, and \$655,000 in the third year of the plan. JJB should break even by the third month of its operation as it steadily increases its sales. Profits for this time period are expected to be approximately \$12,000 in year 1, \$36,000 by year 2, and \$46,000 by year 3. The company

# Jolly's Java and Bakery

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does not anticipate any cash flow problems.

## Highlights



## 1.1 Mission

JJB aims to offer high quality coffee, espresso, and pastry products at a competitive price to meet the demand of the middle- to higher-income local market area residents and tourists.

## 1.2 Keys to Success

Keys to success for JJB will include:

1. Providing the highest quality product with personal customer service.
2. Competitive pricing.

## 2.0 Company Summary

JJB is a bakery and coffee shop managed by two partners. These partners represent sales/management and finance/administration areas, respectively. The partners will provide funding from their own savings, which will cover start-up expenses and provide a financial cushion for the first months of operation. A ten-year Small Business Administration (SBA) loan will cover the rest of the required financing. The company plans to build a strong market position in the town, due to the partners' industry experience and mild competitive climate in the area.

# Jolly's Java and Bakery

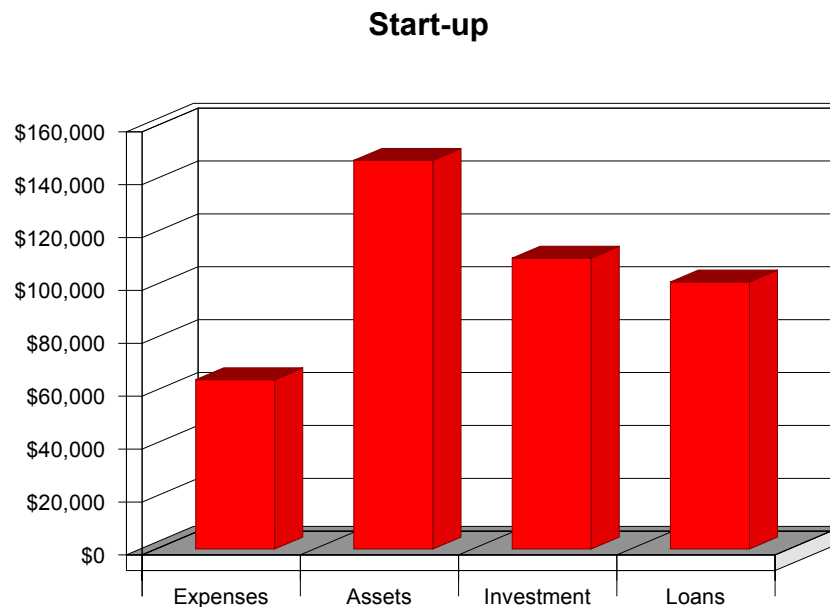
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## 2.1 Company Ownership

JJB is incorporated in the state of Washington. It is equally owned by its two partners.

## 2.2 Company History

JJB is a start-up company. Financing will come from the partners' capital and a ten-year SBA loan. The following chart and table illustrate the company's projected initial start-up costs.



## 3.0 Product/Service Description

JJB offers a broad range of coffee and espresso products, all from high quality Columbian grown imported coffee beans. JJB caters to all of its customers by providing each customer coffee and espresso products made to suit the customer, down to the smallest detail.

The bakery provides freshly prepared bakery and pastry products at all times during business operations. Six to eight moderate batches of bakery and pastry products are prepared during the day to assure fresh baked goods are always available.

## 4.0 Market Analysis

JJB's focus is on meeting the demand of a regular local resident customer base, as well as a significant level of tourist traffic from nearby highways.

## 4.1 Market Segmentation

JJB focuses on the middle- and upper-income markets. These market segments consume the majority of coffee and espresso products.

### **Local Residents**

JJB wants to establish a large regular customer base. This will establish a healthy, consistent revenue base to ensure stability of the business.

### **Tourists**

Tourist traffic comprises approximately 35% of the revenues. High visibility and competitive products and service are critical to capture this segment of the market.

### 4.1.1 Market Analysis

The chart and table below outline the total market potential of the above described customer segments.

## 4.2 Target Market Segment Strategy

The dominant target market for JJB is a regular stream of local residents. Personal and expedient customer service at a competitive price is key to maintaining the local market share of this target market.

### 4.2.1 Market Needs

Because Washington has a cool climate for eight months out of the year, hot coffee products are very much in demand. During the remaining warmer four months of the year, iced coffee products are in significantly high demand, along with a slower but consistent demand for hot coffee products. Much of the day's activity occurs in the morning hours before ten a.m., with a relatively steady flow for the remainder of the day.

### 4.3 Service Business Analysis

The retail coffee industry in the U.S. has recently experienced rapid growth. The cool marine climate in southwest Washington stimulates consumption of hot beverages throughout the year. Coffee drinkers in the Pacific Northwest are finicky about the quality of beverages offered at the numerous coffee bars across the region. Despite low competition in the immediate area, JJB will position itself as a place where customers can enjoy a cup of delicious coffee with a fresh pastry in a relaxing environment.

#### 4.3.1 Competition and Buying Patterns

Competition in the local area is somewhat sparse and does not provide nearly the level of product quality and customer service as JJB. Local customers are looking for a high quality product in a relaxing atmosphere. They desire a unique, classy experience.

Leading competitors purchase and roast high quality, whole-bean coffees and, along with Italian-style espresso beverages, cold-blended beverages, a variety of pastries and confections, coffee-related accessories and equipment, and a line of premium teas, sell these items primarily through company-operated retail stores. In addition to sales through company-operated retail stores, leading competitors sell coffee and tea products through other channels of distribution (specialty operations).

Larger chains vary their product mix depending upon the size of each store and its location. Larger stores carry a broad selection of whole bean coffees in various sizes and types of packaging, as well as an assortment of coffee- and espresso-making equipment and accessories such as coffee grinders, coffee makers, espresso machines, coffee filters, storage containers, travel tumblers and mugs. Smaller stores and kiosks typically sell a full line of coffee beverages, a more limited selection of whole-bean coffees, and a few accessories such as travel tumblers and logo mugs. During fiscal year 2000, industry retail sales mix by product type was approximately 73% beverages, 14% food items, eight percent whole-bean coffees, and five percent coffee-making equipment and accessories.

Technologically savvy competitors make fresh coffee and coffee-related products conveniently available via mail order and online. Additionally, mail order catalogs offering coffees, certain food items, and select coffee-making equipment and accessories, have been made available by a few larger competitors. Websites offering online stores that allow customers to browse for and purchase coffee, gifts, and other items via the Internet have become more commonplace as well.

### 5.0 Strategy and Implementation

JJB will succeed by offering consumers high quality coffee, espresso, and bakery products with personal service at a competitive price.

# Jolly's Java and Bakery

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## 5.1 Competitive Edge

JJB's competitive edge is the relatively low level of competition in the local area in this particular niche.

## 5.2 Marketing Strategy

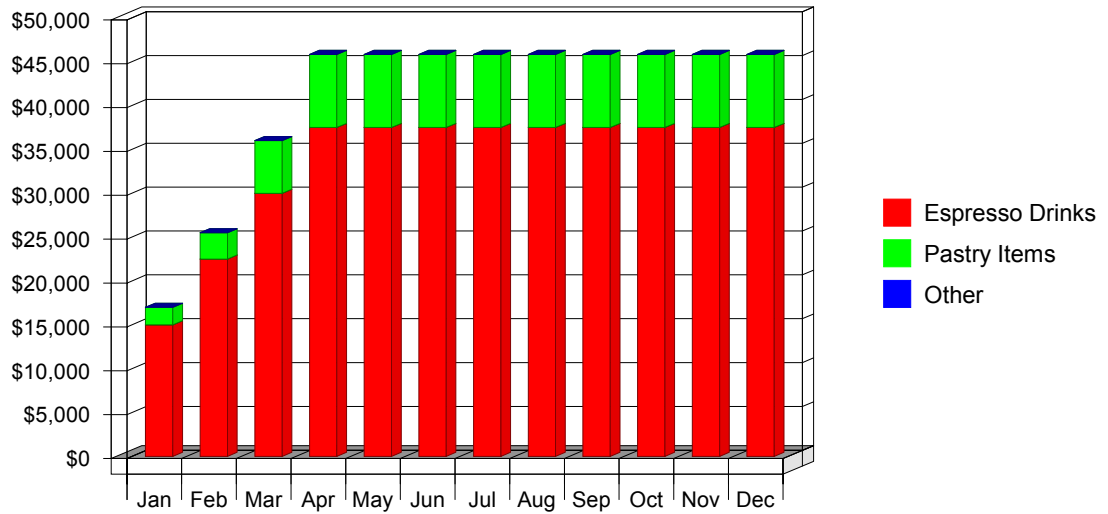
As the chart and table show, JJB anticipates sales of about \$491,000 in the first year, \$567,000 in the second year, and \$655,000 in the third year of the plan.

**Table: Sales Forecast**

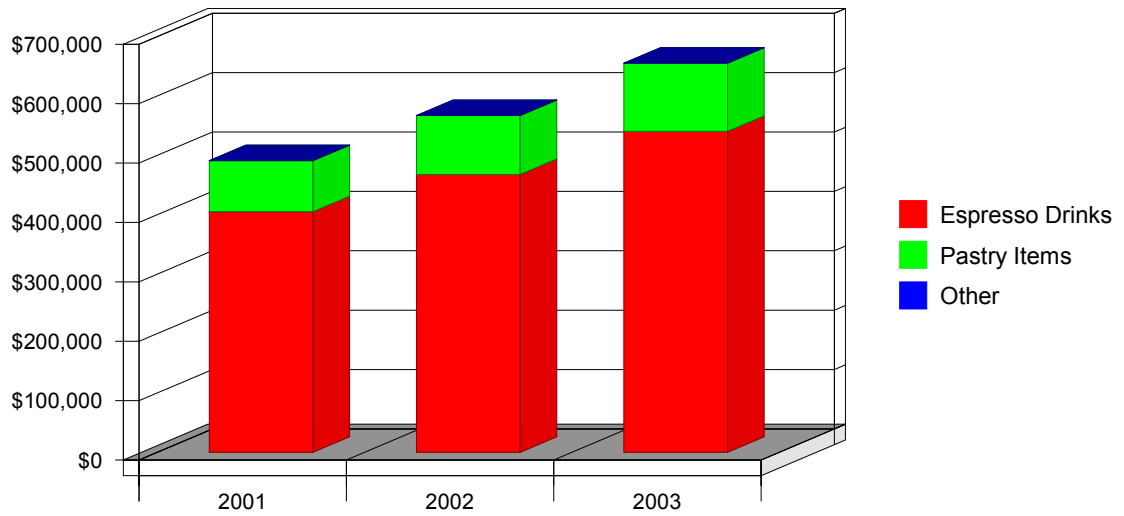
Sales Forecast			
Unit Sales	2001	2002	2003
Espresso Drinks	135,000	148,500	163,350
Pastry Items	86,000	94,600	104,060
Other	0	0	0
Total Unit Sales	221,000	243,100	267,410
Unit Prices			
	2001	2002	2003
Espresso Drinks	\$3.00	\$3.15	\$3.31
Pastry Items	\$1.00	\$1.05	\$1.10
Other	\$0.00	\$0.00	\$0.00
Sales			
	2001	2002	2003
Espresso Drinks	\$405,000	\$467,775	\$540,280
Pastry Items	\$86,000	\$99,330	\$114,726
Other	\$0	\$0	\$0
Total Sales	\$491,000	\$567,105	\$655,006
Direct Unit Costs			
	2001	2002	2003
Espresso Drinks	\$0.25	\$0.26	\$0.28
Pastry Items	\$0.50	\$0.53	\$0.55
Other	\$0.00	\$0.00	\$0.00
Direct Cost of Sales			
	2001	2002	2003
Espresso Drinks	\$33,750	\$38,981	\$45,023
Pastry Items	\$43,000	\$49,665	\$57,363
Other	\$0	\$0	\$0
Subtotal Direct Cost of Sales	\$76,750	\$88,646	\$102,386

# Jolly's Java and Bakery

## Sales Monthly



## Sales by Year



# Jolly's Java and Bakery

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## 6.0 Management Team

Austin Patterson has extensive experience in sales, marketing, and management, and was vice president of marketing with both Jansonne & Jansonne and Burper Foods. David Fields brings experience in the area of finance and administration, including a stint as chief financial officer with both Flaxfield Roasters and the national coffee store chain, BuzzCups.

## 6.1 Personnel Plan

As the personnel plan shows, JJB expects to make significant investments in sales, sales support, and product development personnel.

**Table: Personnel**

Personnel Plan	2001	2002	2003
Managers	\$100,000	\$105,000	\$110,250
Pastry Bakers	\$40,800	\$42,840	\$44,982
Baristas	\$120,000	\$126,000	\$132,300
Other	\$0	\$0	\$0
Total People	10	10	10
Total Payroll	\$260,800	\$273,840	\$287,532

# Jolly's Java and Bakery

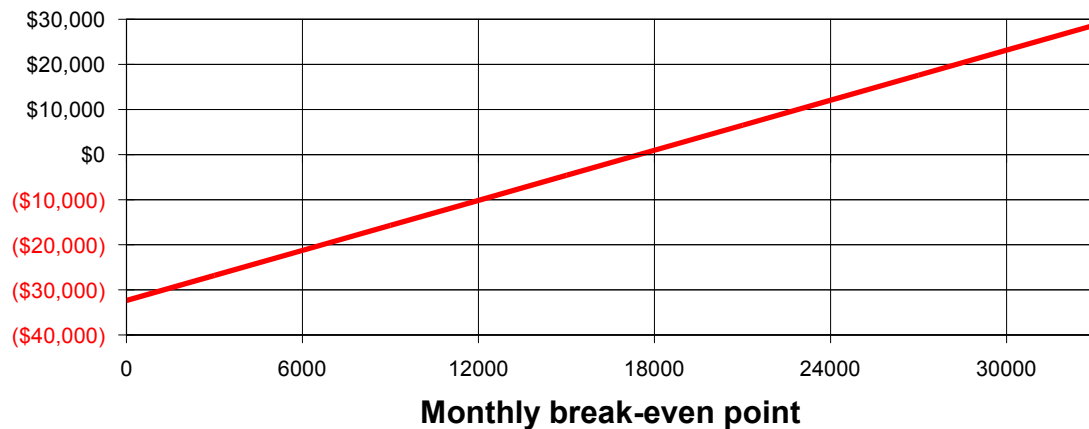
## 7.0 Financial Plan

JJB expects to raise \$110,000 of its own capital, and to borrow \$100,000 guaranteed by the SBA as a ten-year loan. This provides the bulk of the current financing required.

## 7.1 Break-even Analysis

JJB's Break-even Analysis is based on the average of the first-year figures for total sales by units, and by operating expenses. These are presented as per-unit revenue, per-unit cost, and fixed costs. These conservative assumptions make for a more accurate estimate of real risk. JJB should break even by the fourth month of its operation as it steadily increases its sales.

### Break-even Analysis



Break-even point = where line intersects with 0

**Table: Break-even Analysis**

Break-even Analysis:	
Monthly Units Break-even	17,483
Monthly Revenue Break-even	\$38,462

Assumptions:	
Average Per-Unit Revenue	\$2.20
Average Per-Unit Variable Cost	\$0.35
Estimated Monthly Fixed Cost	\$32,343

# Jolly's Java and Bakery

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## 7.2 Projected Profit and Loss

As the Profit and Loss table shows, JJB expects to continue its steady growth in profitability over the next three years of operations.

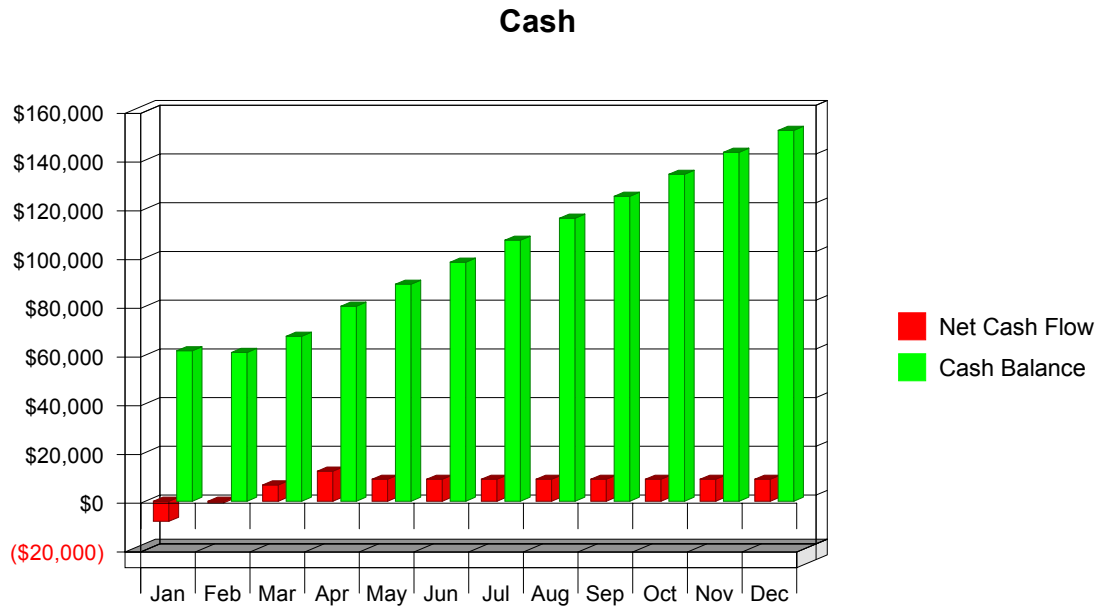
**Table: Profit and Loss**

Pro Forma Profit and Loss	2001	2002	2003
Sales	\$491,000	\$567,105	\$655,006
Direct Costs of Goods	\$76,750	\$88,646	\$102,386
Other	\$0	\$0	\$0
	-----	-----	-----
Cost of Goods Sold	\$76,750	\$88,646	\$102,386
Gross Margin	\$414,250	\$478,459	\$552,620
Gross Margin %	84.37%	84.37%	84.37%
Expenses:			
Payroll	\$260,800	\$273,840	\$287,532
Sales and Marketing and Other Expenses	\$27,000	\$35,200	\$71,460
Depreciation	\$60,000	\$69,000	\$79,350
Utilities	\$1,200	\$1,260	\$1,323
Payroll Taxes	\$39,120	\$41,076	\$43,130
Other	\$0	\$0	\$0
	-----	-----	-----
Total Operating Expenses	\$388,120	\$420,376	\$482,795
Profit Before Interest and Taxes	\$26,130	\$58,083	\$69,825
Interest Expense	\$10,000	\$9,500	\$8,250
Taxes Incurred	\$4,033	\$12,146	\$15,394
Net Profit	\$12,098	\$36,437	\$46,181
Net Profit/Sales	2.46%	6.43%	7.05%
Include Negative Taxes	TRUE	TRUE	TRUE

# Jolly's Java and Bakery

## 7.3 Projected Cash Flow

The cash flow projection shows that provisions for ongoing expenses are adequate to meet JJB's needs as the business generates cash flow sufficient to support operations.



## Jolly's Java and Bakery

**Table: Cash Flow**

Pro Forma Cash Flow	2001	2002	2003
<b>Cash Received</b>			
<b>Cash from Operations:</b>			
Cash Sales	\$491,000	\$567,105	\$655,006
Cash from Receivables	\$0	\$0	\$0
Subtotal Cash from Operations	\$491,000	\$567,105	\$655,006
<b>Additional Cash Received</b>			
Non Operating (Other) Income	\$0	\$0	\$0
Sales Tax, VAT, HST/GST Received	\$0	\$0	\$0
New Current Borrowing	\$0	\$0	\$0
New Other Liabilities (interest-free)	\$0	\$0	\$0
New Long-term Liabilities	\$0	\$0	\$0
Sales of Other Current Assets	\$0	\$0	\$0
Sales of Long-term Assets	\$0	\$0	\$0
New Investment Received	\$0	\$0	\$0
Subtotal Cash Received	\$491,000	\$567,105	\$655,006
<b>Expenditures</b>			
<b>Expenditures from Operations:</b>			
Cash Spending	\$13,071	\$17,907	\$23,175
Payment of Accounts Payable	\$395,701	\$439,643	\$501,815
Subtotal Spent on Operations	\$408,772	\$457,550	\$524,989
<b>Additional Cash Spent</b>			
Non Operating (Other) Expense	\$0	\$0	\$0
Sales Tax, VAT, HST/GST Paid Out	\$0	\$0	\$0
Principal Repayment of Current Borrowing	\$0	\$0	\$0
Other Liabilities Principal Repayment	\$0	\$0	\$0
Long-term Liabilities Principal Repayment	\$0	\$10,000	\$15,000
Purchase Other Current Assets	\$0	\$0	\$0
Purchase Long-term Assets	\$0	\$20,000	\$20,000
Dividends	\$0	\$0	\$0
Subtotal Cash Spent	\$408,772	\$487,550	\$559,989
<b>Net Cash Flow</b>	<b>\$82,228</b>	<b>\$79,555</b>	<b>\$95,017</b>
<b>Cash Balance</b>	<b>\$152,228</b>	<b>\$231,783</b>	<b>\$326,800</b>

# Jolly's Java and Bakery

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## 7.4 Balance Sheet

The following is a projected Balance Sheet for JJB.

**Table: Balance Sheet**

Pro Forma Balance Sheet

Assets	2001	2002	2003
Current Assets			
Cash	\$152,228	\$231,783	\$326,800
Other Current Assets	\$12,000	\$12,000	\$12,000
Total Current Assets	\$164,228	\$243,783	\$338,800
Long-term Assets			
Long-term Assets	\$65,000	\$85,000	\$105,000
Accumulated Depreciation	\$60,000	\$129,000	\$208,350
Total Long-term Assets	\$5,000	(\$44,000)	(\$103,350)
Total Assets	\$169,228	\$199,783	\$235,450
Liabilities and Capital			
Accounts Payable	\$11,131	\$15,248	\$19,734
Current Borrowing	\$0	\$0	\$0
Other Current Liabilities	\$0	\$0	\$0
Subtotal Current Liabilities	\$11,131	\$15,248	\$19,734
Long-term Liabilities	\$100,000	\$90,000	\$75,000
Total Liabilities	\$111,131	\$105,248	\$94,734
Paid-in Capital	\$110,000	\$110,000	\$110,000
Retained Earnings	(\$64,000)	(\$51,903)	(\$15,465)
Earnings	\$12,098	\$36,437	\$46,181
Total Capital	\$58,098	\$94,535	\$140,716
Total Liabilities and Capital	\$169,228	\$199,783	\$235,450
Net Worth	\$58,098	\$94,535	\$140,716

## 7.5 Business Ratios

The following table represents key ratios for the retail bakery and coffee shop industry. These ratios are determined by the Standard Industry Classification (SIC) Index code 5812, Eating Places.

# Jolly's Java and Bakery

**Table: Ratios**

Ratio Analysis	2001	2002	2003	Industry Profile
Sales Growth	0.00%	15.50%	15.50%	7.60%
<b>Percent of Total Assets</b>				
Accounts Receivable	0.00%	0.00%	0.00%	4.50%
Inventory	0.00%	0.00%	0.00%	3.60%
Other Current Assets	7.09%	6.01%	5.10%	35.60%
Total Current Assets	97.05%	122.02%	143.89%	43.70%
Long-term Assets	2.95%	-22.02%	-43.89%	56.30%
Total Assets	100.00%	100.00%	100.00%	100.00%
Current Liabilities	0.00%	0.00%	0.00%	32.70%
Long-term Liabilities	59.09%	45.05%	31.85%	28.50%
Total Liabilities	59.09%	45.05%	31.85%	61.20%
Net Worth	40.91%	54.95%	68.15%	38.80%
<b>Percent of Sales</b>				
Sales	100.00%	100.00%	100.00%	100.00%
Gross Margin	84.37%	84.37%	84.37%	60.50%
Selling, General & Administrative Expenses	74.74%	71.43%	71.39%	39.80%
Advertising Expenses	0.49%	1.76%	6.87%	3.20%
Profit Before Interest and Taxes	5.32%	10.24%	10.66%	0.70%
<b>Main Ratios</b>				
Current	14.75	15.99	17.17	0.98
Quick	14.75	15.99	17.17	0.65
Total Debt to Total Assets	65.67%	52.68%	40.24%	61.20%
Pre-tax Return on Net Worth	27.76%	51.39%	43.76%	1.70%
Pre-tax Return on Assets	9.53%	24.32%	26.15%	4.30%
<b>Business Vitality Profile</b>				
	2001	2002	2003	Industry
Sales per Employee	\$49,100	\$56,711	\$65,501	\$0
Survival Rate				0.00%
<b>Additional Ratios</b>				
	2001	2002	2003	
Net Profit Margin	2.46%	6.43%	7.05%	n.a
Return on Equity	20.82%	38.54%	32.82%	n.a
<b>Activity Ratios</b>				
Accounts Receivable Turnover	0.00	0.00	0.00	n.a
Collection Days	0	0	0	n.a
Inventory Turnover	0.00	0.00	0.00	n.a
Accounts Payable Turnover	36.46	29.10	25.66	n.a
Payment Days	8	130	151	
Total Asset Turnover	2.90	2.84	2.78	n.a
<b>Debt Ratios</b>				
Debt to Net Worth	1.91	1.11	0.67	n.a
Current Liab. to Liab.	0.10	0.14	0.21	n.a
<b>Liquidity Ratios</b>				
Net Working Capital	\$153,098	\$228,535	\$319,066	n.a
Interest Coverage	2.61	6.11	8.46	n.a
<b>Additional Ratios</b>				
Assets to Sales	0.34	0.35	0.36	n.a
Current Debt/Total Assets	7%	8%	8%	n.a
Acid Test	14.75	15.99	17.17	n.a
Sales/Net Worth	8.45	6.00	4.65	n.a
Dividend Payout	0.00	0.00	0.00	n.a

# Appendix

**Appendix Table: Sales Forecast**

Sales Forecast												
Unit Sales	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Espresso Drinks	5,000	7,500	10,000	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500
Pastry Items	2,000	3,000	6,000	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333
Other	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Unit Sales</b>	<b>7,000</b>	<b>10,500</b>	<b>16,000</b>	<b>20,833</b>	<b>20,833</b>	<b>20,833</b>	<b>20,833</b>	<b>20,833</b>	<b>20,833</b>	<b>20,833</b>	<b>20,833</b>	<b>20,833</b>
Unit Prices	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Espresso Drinks	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00
Pastry Items	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
Other	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Sales	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Espresso Drinks	\$15,000	\$22,500	\$30,000	\$37,500	\$37,500	\$37,500	\$37,500	\$37,500	\$37,500	\$37,500	\$37,500	\$37,500
Pastry Items	\$2,000	\$3,000	\$6,000	\$8,333	\$8,333	\$8,333	\$8,333	\$8,333	\$8,333	\$8,333	\$8,333	\$8,333
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Sales</b>	<b>\$17,000</b>	<b>\$25,500</b>	<b>\$36,000</b>	<b>\$45,833</b>	<b>\$45,833</b>	<b>\$45,833</b>	<b>\$45,833</b>	<b>\$45,833</b>	<b>\$45,833</b>	<b>\$45,833</b>	<b>\$45,833</b>	<b>\$45,833</b>
Direct Unit Costs	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Espresso Drinks	\$0.25	\$0.25	\$0.25	\$0.25	\$0.25	\$0.25	\$0.25	\$0.25	\$0.25	\$0.25	\$0.25	\$0.25
Pastry Items	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50
Other	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Direct Cost of Sales	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Espresso Drinks	\$1,250	\$1,875	\$2,500	\$3,125	\$3,125	\$3,125	\$3,125	\$3,125	\$3,125	\$3,125	\$3,125	\$3,125
Pastry Items	\$1,000	\$1,500	\$3,000	\$4,167	\$4,167	\$4,167	\$4,167	\$4,167	\$4,167	\$4,167	\$4,167	\$4,167
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal Direct Cost of Sales</b>	<b>\$2,250</b>	<b>\$3,375</b>	<b>\$5,500</b>	<b>\$7,292</b>	<b>\$7,292</b>	<b>\$7,292</b>	<b>\$7,292</b>	<b>\$7,292</b>	<b>\$7,292</b>	<b>\$7,292</b>	<b>\$7,292</b>	<b>\$7,292</b>

# Appendix

## Appendix Table: Personnel

Personnel Plan	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Managers	\$8,333	\$8,333	\$8,333	\$8,333	\$8,333	\$8,333	\$8,333	\$8,333	\$8,333	\$8,333	\$8,333	\$8,333
Pastry Bakers	\$3,400	\$3,400	\$3,400	\$3,400	\$3,400	\$3,400	\$3,400	\$3,400	\$3,400	\$3,400	\$3,400	\$3,400
Baristas	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total People	10	10	10	10	10	10	10	10	10	10	10	10
Total Payroll	\$21,733	\$21,733	\$21,733	\$21,733	\$21,733	\$21,733	\$21,733	\$21,733	\$21,733	\$21,733	\$21,733	\$21,733

# Appendix

**Appendix Table: General Assumptions**

General Assumptions	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Plan Month	1	2	3	4	5	6	7	8	9	10	11	12
Current Interest Rate	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Long-term Interest Rate	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Tax Rate	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
Other	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Calculated Totals</b>												
Payroll Expense	\$21,733	\$21,733	\$21,733	\$21,733	\$21,733	\$21,733	\$21,733	\$21,733	\$21,733	\$21,733	\$21,733	\$21,733
New Accounts Payable	\$25,640	\$28,311	\$32,108	\$35,530	\$35,530	\$35,530	\$35,530	\$35,530	\$35,530	\$35,530	\$35,530	\$35,530

## Appendix

### Appendix Table: Profit and Loss

#### Pro Forma Profit and Loss

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Sales	\$17,000	\$25,500	\$36,000	\$45,833	\$45,833	\$45,833	\$45,833	\$45,833	\$45,833	\$45,833	\$45,833	\$45,833
Direct Costs of Goods	\$2,250	\$3,375	\$5,500	\$7,292	\$7,292	\$7,292	\$7,292	\$7,292	\$7,292	\$7,292	\$7,292	\$7,292
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cost of Goods Sold	\$2,250	\$3,375	\$5,500	\$7,292	\$7,292	\$7,292	\$7,292	\$7,292	\$7,292	\$7,292	\$7,292	\$7,292
Gross Margin	\$14,750	\$22,125	\$30,500	\$38,542	\$38,542	\$38,542	\$38,542	\$38,542	\$38,542	\$38,542	\$38,542	\$38,542
Gross Margin %	86.76%	86.76%	84.72%	84.09%	84.09%	84.09%	84.09%	84.09%	84.09%	84.09%	84.09%	84.09%
Expenses:												
Payroll	\$21,733	\$21,733	\$21,733	\$21,733	\$21,733	\$21,733	\$21,733	\$21,733	\$21,733	\$21,733	\$21,733	\$21,733
Sales and Marketing and Other Expenses	\$2,250	\$2,250	\$2,250	\$2,250	\$2,250	\$2,250	\$2,250	\$2,250	\$2,250	\$2,250	\$2,250	\$2,250
Depreciation	15% \$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Utilities	5% \$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100
Payroll Taxes	15% \$3,260	\$3,260	\$3,260	\$3,260	\$3,260	\$3,260	\$3,260	\$3,260	\$3,260	\$3,260	\$3,260	\$3,260
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Operating Expenses	\$32,343	\$32,343	\$32,343	\$32,343	\$32,343	\$32,343	\$32,343	\$32,343	\$32,343	\$32,343	\$32,343	\$32,343
Profit Before Interest and Taxes	(\$17,593)	(\$10,218)	(\$1,843)	\$6,198	\$6,198	\$6,198	\$6,198	\$6,198	\$6,198	\$6,198	\$6,198	\$6,198
Interest Expense	\$833	\$833	\$833	\$833	\$833	\$833	\$833	\$833	\$833	\$833	\$833	\$833
Taxes Incurred	(\$4,607)	(\$2,763)	(\$669)	\$1,341	\$1,341	\$1,341	\$1,341	\$1,341	\$1,341	\$1,341	\$1,341	\$1,341
Net Profit	(\$13,820)	(\$8,289)	(\$2,008)	\$4,024	\$4,024	\$4,024	\$4,024	\$4,024	\$4,024	\$4,024	\$4,024	\$4,024
Net Profit/Sales	-81.29%	-32.50%	-5.58%	8.78%	8.78%	8.78%	8.78%	8.78%	8.78%	8.78%	8.78%	8.78%
Include Negative Taxes												

# Appendix

## Appendix Table: Cash Flow

Pro Forma Cash Flow	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>Cash Received</b>												
<b>Cash from Operations:</b>												
Cash Sales	\$17,000	\$25,500	\$36,000	\$45,833	\$45,833	\$45,833	\$45,833	\$45,833	\$45,833	\$45,833	\$45,833	\$45,833
Cash from Receivables	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Cash from Operations	\$17,000	\$25,500	\$36,000	\$45,833	\$45,833	\$45,833	\$45,833	\$45,833	\$45,833	\$45,833	\$45,833	\$45,833
<b>Additional Cash Received</b>												
Non Operating (Other) Income	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sales Tax, VAT, HST/GST Received	0.00%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Current Borrowing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Other Liabilities (interest-free)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Long-term Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sales of Other Current Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sales of Long-term Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Investment Received	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Cash Received	\$17,000	\$25,500	\$36,000	\$45,833	\$45,833	\$45,833	\$45,833	\$45,833	\$45,833	\$45,833	\$45,833	\$45,833
<b>Expenditures</b>												
<b>Expenditures from Operations:</b>												
Cash Spending	\$180	\$477	\$899	\$1,279	\$1,279	\$1,279	\$1,279	\$1,279	\$1,279	\$1,279	\$1,279	\$1,279
Payment of Accounts Payable	\$25,070	\$25,729	\$28,438	\$32,222	\$35,530	\$35,530	\$35,530	\$35,530	\$35,530	\$35,530	\$35,530	\$35,530
Subtotal Spent on Operations	\$25,250	\$26,206	\$29,337	\$33,502	\$36,810	\$36,810	\$36,810	\$36,810	\$36,810	\$36,810	\$36,810	\$36,810
<b>Additional Cash Spent</b>												
Non Operating (Other) Expense	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sales Tax, VAT, HST/GST Paid Out	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Principal Repayment of Current Borrowing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Liabilities Principal Repayment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Long-term Liabilities Principal Repayment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Purchase Other Current Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Purchase Long-term Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Dividends	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Cash Spent	\$25,250	\$26,206	\$29,337	\$33,502	\$36,810	\$36,810	\$36,810	\$36,810	\$36,810	\$36,810	\$36,810	\$36,810
Net Cash Flow	(\$8,250)	(\$706)	\$6,663	\$12,332	\$9,024	\$9,024	\$9,024	\$9,024	\$9,024	\$9,024	\$9,024	\$9,024
Cash Balance	\$61,750	\$61,044	\$67,707	\$80,038	\$89,062	\$98,086	\$107,109	\$116,133	\$125,157	\$134,181	\$143,204	\$152,228

## Appendix

### Appendix Table: Balance Sheet

#### Pro Forma Balance Sheet

Assets	Starting Balances	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>Current Assets</b>													
Cash	\$70,000	\$61,750	\$61,044	\$67,707	\$80,038	\$89,062	\$98,086	\$107,109	\$116,133	\$125,157	\$134,181	\$143,204	\$152,228
Other Current Assets	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000
<b>Total Current Assets</b>	<b>\$82,000</b>	<b>\$73,750</b>	<b>\$73,044</b>	<b>\$79,707</b>	<b>\$92,038</b>	<b>\$101,062</b>	<b>\$110,086</b>	<b>\$119,109</b>	<b>\$128,133</b>	<b>\$137,157</b>	<b>\$146,181</b>	<b>\$155,204</b>	<b>\$164,228</b>
<b>Long-term Assets</b>													
Long-term Assets	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000
Accumulated Depreciation	\$0	\$5,000	\$10,000	\$15,000	\$20,000	\$25,000	\$30,000	\$35,000	\$40,000	\$45,000	\$50,000	\$55,000	\$60,000
<b>Total Long-term Assets</b>	<b>\$65,000</b>	<b>\$60,000</b>	<b>\$55,000</b>	<b>\$50,000</b>	<b>\$45,000</b>	<b>\$40,000</b>	<b>\$35,000</b>	<b>\$30,000</b>	<b>\$25,000</b>	<b>\$20,000</b>	<b>\$15,000</b>	<b>\$10,000</b>	<b>\$5,000</b>
<b>Total Assets</b>	<b>\$147,000</b>	<b>\$133,750</b>	<b>\$128,044</b>	<b>\$129,707</b>	<b>\$137,038</b>	<b>\$141,062</b>	<b>\$145,086</b>	<b>\$149,109</b>	<b>\$153,133</b>	<b>\$157,157</b>	<b>\$161,181</b>	<b>\$165,204</b>	<b>\$169,228</b>
<b>Liabilities and Capital</b>													
<b>Current Liabilities</b>													
Accounts Payable	\$1,000	\$1,570	\$4,152	\$7,823	\$11,131	\$11,131	\$11,131	\$11,131	\$11,131	\$11,131	\$11,131	\$11,131	\$11,131
Current Borrowing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Current Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal Current Liabilities</b>	<b>\$1,000</b>	<b>\$1,570</b>	<b>\$4,152</b>	<b>\$7,823</b>	<b>\$11,131</b>	<b>\$11,131</b>	<b>\$11,131</b>	<b>\$11,131</b>	<b>\$11,131</b>	<b>\$11,131</b>	<b>\$11,131</b>	<b>\$11,131</b>	<b>\$11,131</b>
<b>Long-term Liabilities</b>	<b>\$100,000</b>	<b>\$100,000</b>	<b>\$100,000</b>	<b>\$100,000</b>	<b>\$100,000</b>	<b>\$100,000</b>	<b>\$100,000</b>	<b>\$100,000</b>	<b>\$100,000</b>	<b>\$100,000</b>	<b>\$100,000</b>	<b>\$100,000</b>	<b>\$100,000</b>
<b>Total Liabilities</b>	<b>\$101,000</b>	<b>\$101,570</b>	<b>\$104,152</b>	<b>\$107,823</b>	<b>\$111,131</b>	<b>\$111,131</b>	<b>\$111,131</b>	<b>\$111,131</b>	<b>\$111,131</b>	<b>\$111,131</b>	<b>\$111,131</b>	<b>\$111,131</b>	<b>\$111,131</b>
<b>Equity</b>													
Paid-in Capital	\$110,000	\$110,000	\$110,000	\$110,000	\$110,000	\$110,000	\$110,000	\$110,000	\$110,000	\$110,000	\$110,000	\$110,000	\$110,000
Retained Earnings	(\$64,000)	(\$64,000)	(\$64,000)	(\$64,000)	(\$64,000)	(\$64,000)	(\$64,000)	(\$64,000)	(\$64,000)	(\$64,000)	(\$64,000)	(\$64,000)	(\$64,000)
Earnings	\$0	(\$13,820)	(\$22,109)	(\$24,116)	(\$20,093)	(\$16,069)	(\$12,045)	(\$8,021)	(\$3,997)	\$26	\$4,050	\$8,074	\$12,098
<b>Total Capital</b>	<b>\$46,000</b>	<b>\$32,180</b>	<b>\$23,891</b>	<b>\$21,884</b>	<b>\$25,908</b>	<b>\$29,931</b>	<b>\$33,955</b>	<b>\$37,979</b>	<b>\$42,003</b>	<b>\$46,026</b>	<b>\$50,050</b>	<b>\$54,074</b>	<b>\$58,098</b>
<b>Total Liabilities and Capital Net Worth</b>	<b>\$147,000</b>	<b>\$133,750</b>	<b>\$128,044</b>	<b>\$129,707</b>	<b>\$137,038</b>	<b>\$141,062</b>	<b>\$145,086</b>	<b>\$149,109</b>	<b>\$153,133</b>	<b>\$157,157</b>	<b>\$161,181</b>	<b>\$165,204</b>	<b>\$169,228</b>