

The Business Support Program Case Study #23

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INDUSTRY / TYPE OF BUSINESS:

Printing and Publishing

Background The owner started the business because he knew the printing industry and was encouraged by community leaders to start a printing company in their community. The owner's daughter manages all the financial duties, including preparation of the estimates for all printing projects.

Issues The owner never created a financial statement and, therefore, did not know how the business was doing, except that payables usually exceeded receivables. The company's largest customer decided to spread its printing among four print shops, which reduced a huge portion of the company's business. The company went from a profitable year to large losses. The company was an S-Corporation and taxes from the highly profitable year were due in the worst year it had experienced. This created a large IRS debt. Additionally, payroll taxes had not been paid for a number of months during that year. With interest and penalties mounting the indebtedness was growing every month. The company has not been profitable for several years.

Business Support Plan

1. Develop financial statements and balance sheet.
2. Restructure debt to relieve expensive situations.
3. Stabilize the company's expense structure.
4. Secure needed capital for critical maintenance.
5. Prepare a loan package to present to lenders.
6. Find a banking partner who would review quarterly statements and forecasts, staying in touch with the client's financial operation.

Benefits to Business Owner. Under the Business Support Program and with help from the Executive Associate, the owner developed a financial statement only to find that the numerous loans, taken over a period of years, and the mortgage's total payments more than doubled the negative bottom line. The loan interest rates were also higher than loans available today. The owner developed a balance sheet to determine if the assets would support consolidating the loans into one large loan, paying all IRS debt, paying off all outstanding loans, and provide for some badly needed working capital. With property and a building that had significantly increased in value since the original mortgage, the total assets were available to restructure the debt, pay off the IRS, bring payables current, and provide money for needed press maintenance. The owner and Executive Associate found the right financial institution to provide asset-based lending. The bank was selected, an appraisal of the property verified the value, and a \$900,000 loan was closed. The monthly loan payment was now only 57% of the total paid on loans before. Finally, the Executive Associate worked with the owner's daughter to help her learn how to create and keep a financial statement from month to month; how to create assumptions and projections; how to create a balance sheet; and how to re-forecast after each month's activity.



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