



Illinois Small Business Development Center

Turner Center for Entrepreneurship

Business 201: Concepts In Action

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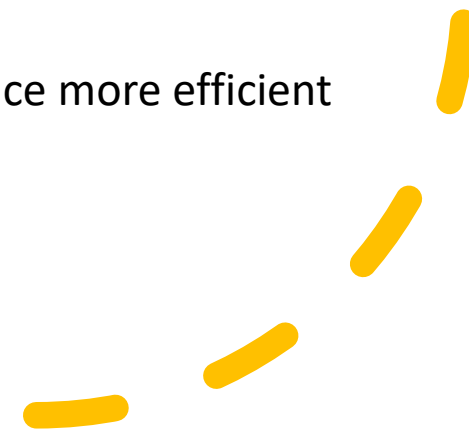
IMEC (Illinois Manufacturing Excellence Center)

- Improvement specialists and technicians
- Providing tools and resources to improve global competitiveness
- Focused on helping you plan for success, grow your business, improve operations, focus on people, and make decisions with data
- Assists over 1600 companies each year
- 19:1 Return on Investment
- The official representative of the MEP national network in Illinois



Common Problems

- Lack of general accounting background
- Not understanding common terminology
- Incorrect structural set up of general ledger (agnostic of software)
- Incorrect use of process flows leading to a costly clean up efforts
- Inability to use the existing accounting data to make decisions
- Inability to leverage processes to make back office more efficient



Agenda Topics

- Income statement/balance sheet/cash flow statement
- Tips to improve cash flow
- Using leverage to scale your business
- What is a tech stack and how to use it
- When to hire a professional

Where do we start?



Sessions

1. Accounting Concepts
- 2. Concepts in Action**
3. Quickbooks 101
4. Quickbooks 201



FINANCIAL STATEMENTS



Introduction

The Concepts that we discussed in the last session roll up into reporting used to tell bankers about creditworthiness, provide owners the ability to improve the business, and provide regulatory bodies information.

I will:

1. Discuss how the data flows into financial statements
2. Discuss the information you can get from the financials
3. Review a real world example



Financial Statements

There are three financial statements:

1. Income Statement (also known as the Profit & Loss or Statement of Operations)
2. Balance Sheet
3. Cash Flow Statement



What do the financial statements tell us?

1. Health of the business
2. Did we make any money?
3. Assets & Liabilities

STATEMENTS

THE INCOME STATEMENT

Income Statement



ALSO CALLED:
Profit and Loss
Statement of Operations

[Company Name]

[Street Address], [City, ST ZIP Code]
[Phone: 555-555-5555] [Fax: 123-123-123456]
[abc@example.com]

Profit & Loss Statement

For the Period Ended _____

| Income | \$ | \$ |
|-----------------------|----------|-----------------|
| Sales | 0000000 | |
| Services | 00000000 | |
| Other Income | 00000 | |
| Total Income | | 0000000 |
| Expenses | | |
| Accounting | 0000000 | |
| Advertising | 000000 | |
| Assets Small | 000000 | |
| Bank Charges | 000000 | |
| Cost of Goods Sold | 00000 | |
| Total Expenses | | 00000000 |
| Profit/Loss | | 00000000 |

How much money did I make?



Income Statement

1. **Revenue** It signifies the turnover or the net sales during an accounting period. Revenue includes earnings from the primary activity of the organization, non-operating revenue and gains on the long-term business assets' sales.
2. **Cost of Goods Sold** It signifies the cost of services and products.
3. **Gross Profit** Also called as gross margin or gross income, it represents the net revenue minus the sales cost.
4. **Operating Expenses** These are the selling, General and Administrative Expenses that are linked to running a business for a certain period of time. The operating expenses comprise utilities, payroll, rental expenditure and more needed to run the business efficiently. This may also include non-cash expenditure, like depreciation.
5. **Operating Income** This one is referred to as the Earnings Before Interest, Taxes, depreciation and authorization. To calculate the operating income, operating expenses are deducted from the gross profit.
6. **Other Income and Expense** It refers to activities outside the main business (e.g. gains resulting from a fixed asset sale)
7. **Net Profit** It is referred to as the total earned amount after subtracting the expenditure..

HOW MUCH MONEY
A BUSINESS HAS MADE
OVER A PERIOD
MONTH, QUARTER, YEAR



STATEMENTS

THE BALANCE SHEET

Balance Sheet



BALANCE SHEET

ASSETS

Current Assets

| | |
|---------------------|--------|
| Checking Account | 5,000 |
| Savings Account | 1,000 |
| Petty Cash | 500 |
| Accounts Receivable | 22,000 |
| Inventory | 15,000 |
| Prepaid Insurance | 6,000 |

Total Current Assets: 49,500

Noncurrent Assets

| | |
|--------------------------|--------|
| Accumulated Depreciation | -4,500 |
| Computer | 7,000 |
| Building | 65,000 |
| Land | 60,000 |

Total Noncurrent Assets: 127,000

Total Assets: 177,000

LIABILITIES & EQUITY

Liabilities

Current Liabilities

| | |
|---------------------|--------|
| Accounts Payable | 12,000 |
| Line of Credit | 20,000 |
| Payroll Liabilities | 7,000 |

Total Current Liabilities: 39,000

Noncurrent Liabilities

| | |
|-----------------------|--------|
| Long-term Debt (loan) | 48,000 |
|-----------------------|--------|

Total Liabilities: 87,000

Equity

| | |
|-------------------|--------|
| Owner's Capital | 35,000 |
| Retained Earnings | 55,000 |

Total Equity: 90,000

Total Liabilities & Equity: 177,000

BALANCE SHEET

EVERYTHING A
BUSINESS OWNS

AT A POINT OF TIME
OF THE YEAR



WALKTHROUGH

APPLE'S FINANCIALS

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)
(In millions, except number of shares which are reflected in thousands and per share amounts)



| | Three Months Ended | | Twelve Months Ended | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 28, 2019 | September 29, 2018 | September 28, 2019 | September 29, 2018 |
| Net sales: | | | | |
| Products | \$ 51,529 | \$ 52,301 | \$ 213,883 | \$ 225,847 |
| Services | 12,511 | 10,599 | 46,291 | 39,748 |
| Total net sales ⁽¹⁾ | <u>64,040</u> | <u>62,900</u> | <u>260,174</u> | <u>265,595</u> |
| Cost of sales: | | | | |
| Products | 35,238 | 34,697 | 144,996 | 148,164 |
| Services | 4,489 | 4,119 | 16,786 | 15,592 |
| Total cost of sales | <u>39,727</u> | <u>38,816</u> | <u>161,782</u> | <u>163,756</u> |
| Gross margin | <u>24,313</u> | <u>24,084</u> | <u>98,392</u> | <u>101,839</u> |
| Operating expenses: | | | | |
| Research and development | 4,110 | 3,750 | 16,217 | 14,236 |
| Selling, general and administrative | 4,578 | 4,216 | 18,245 | 16,705 |
| Total operating expenses | <u>8,688</u> | <u>7,966</u> | <u>34,462</u> | <u>30,941</u> |
| Operating income | 15,625 | 16,118 | 63,930 | 70,898 |
| Other income/(expense), net | 502 | 303 | 1,807 | 2,005 |
| Income before provision for income taxes | 16,127 | 16,421 | 65,737 | 72,903 |
| Provision for income taxes | 2,441 | 2,296 | 10,481 | 13,372 |
| Net income | <u>\$ 13,686</u> | <u>\$ 14,125</u> | <u>\$ 55,256</u> | <u>\$ 59,531</u> |
| Earnings per share: | | | | |
| Basic | \$ 3.05 | \$ 2.94 | \$ 11.97 | \$ 12.01 |
| Diluted | \$ 3.03 | \$ 2.91 | \$ 11.89 | \$ 11.91 |
| Shares used in computing earnings per share: | | | | |
| Basic | 4,490,812 | 4,801,589 | 4,617,834 | 4,955,377 |
| Diluted | 4,520,373 | 4,847,547 | 4,648,913 | 5,000,109 |
| ⁽¹⁾ Net sales by reportable segment: | | | | |
| Americas | \$ 29,322 | \$ 27,517 | \$ 116,914 | \$ 112,093 |
| Europe | 14,946 | 15,382 | 60,288 | 62,420 |
| Greater China | 11,134 | 11,411 | 43,678 | 51,942 |
| Japan | 4,982 | 5,161 | 21,506 | 21,733 |
| Rest of Asia Pacific | 3,656 | 3,429 | 17,788 | 17,407 |
| Total net sales | <u>\$ 64,040</u> | <u>\$ 62,900</u> | <u>\$ 260,174</u> | <u>\$ 265,595</u> |
| ⁽¹⁾ Net sales by category: | | | | |
| iPhone | \$ 33,362 | \$ 36,755 | \$ 142,381 | \$ 164,888 |
| Mac | 6,991 | 7,340 | 25,740 | 25,198 |
| iPad | 4,656 | 3,983 | 21,280 | 18,380 |
| Wearables, Home and Accessories | 6,520 | 4,223 | 24,482 | 17,381 |
| Services | 12,511 | 10,599 | 46,291 | 39,748 |
| Total net sales | <u>\$ 64,040</u> | <u>\$ 62,900</u> | <u>\$ 260,174</u> | <u>\$ 265,595</u> |

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)
(In millions, except number of shares which are reflected in thousands and par value)



| | September 28, 2019 | September 29, 2018 |
|---|-----------------------|-----------------------|
| ASSETS: | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 48,844 | \$ 25,913 |
| Marketable securities | 51,713 | 40,388 |
| Accounts receivable, net | 22,926 | 23,186 |
| Inventories | 4,106 | 3,956 |
| Vendor non-trade receivables | 22,878 | 25,809 |
| Other current assets | 12,352 | 12,087 |
| Total current assets | 162,819 | 131,339 |
| Non-current assets: | | |
| Marketable securities | 105,341 | 170,799 |
| Property, plant and equipment, net | 37,378 | 41,304 |
| Other non-current assets | 32,978 | 22,283 |
| Total non-current assets | 175,697 | 234,386 |
| Total assets | \$ 338,516 | \$ 365,725 |
| LIABILITIES AND SHAREHOLDERS' EQUITY: | | |
| Current liabilities: | | |
| Accounts payable | \$ 46,236 | \$ 55,888 |
| Other current liabilities | 37,720 | 33,327 |
| Deferred revenue | 5,522 | 5,966 |
| Commercial paper | 5,980 | 11,964 |
| Term debt | 10,260 | 8,784 |
| Total current liabilities | 105,718 | 115,929 |
| Non-current liabilities: | | |
| Term debt | 91,807 | 93,735 |
| Other non-current liabilities | 50,503 | 48,914 |
| Total non-current liabilities | 142,310 | 142,649 |
| Total liabilities | 248,028 | 258,578 |
| Commitments and contingencies | | |
| Shareholders' equity: | | |
| Common stock and additional paid-in capital, \$0.00001 par value: 12,600,000 shares authorized; 4,443,236 and 4,754,986 shares issued and outstanding, respectively | 45,174 | 40,201 |
| Retained earnings | 45,898 | 70,400 |
| Accumulated other comprehensive income/(loss) | (584) | (3,454) |
| Total shareholders' equity | 90,488 | 107,147 |
| Total liabilities and shareholders' equity | \$ 338,516 | \$ 365,725 |

Cash Flow Statement



Most people focus on the Income Statement to look at PROFIT

There is nothing wrong with this...

But profit, isn't CASH FLOW

Profit is an accounting measure

It doesn't tell you how much MONEY actually came into the business

Sounds confusing? Let's look at an example Cash Flow Statement:



In 2021 Google's profit was: \$76 billion

Alphabet Inc.
CONSOLIDATED STATEMENTS OF INCOME
(In millions, except share amounts which are reflected in thousands and per share amounts)

| | Quarter Ended December 31, | | Year Ended December 31, | |
|--|----------------------------|------------------|-------------------------|------------------|
| | 2020 | 2021 | 2020 | 2021 |
| | (unaudited) | | (unaudited) | |
| Revenues | \$ 56,898 | \$ 75,325 | \$ 182,527 | \$ 257,637 |
| Costs and expenses: | | | | |
| Cost of revenues | 26,080 | 32,988 | 84,732 | 110,939 |
| Research and development | 7,022 | 8,708 | 27,573 | 31,562 |
| Sales and marketing | 5,314 | 7,604 | 17,946 | 22,912 |
| General and administrative | 2,831 | 4,140 | 11,052 | 13,510 |
| Total costs and expenses | <u>41,247</u> | <u>53,440</u> | <u>141,303</u> | <u>178,923</u> |
| Income from operations | 15,651 | 21,885 | 41,224 | 78,714 |
| Other income (expense), net | 3,038 | 2,517 | 6,858 | 12,020 |
| Income before income taxes | 18,689 | 24,402 | 48,082 | 90,734 |
| Provision for income taxes | 3,462 | 3,760 | 7,813 | 14,701 |
| Net income | <u>\$ 15,227</u> | <u>\$ 20,642</u> | <u>\$ 40,269</u> | <u>\$ 76,033</u> |
| Basic earnings per share of Class A and B common stock and Class C capital stock | \$ 22.54 | \$ 31.15 | \$ 59.15 | \$ 113.88 |
| Diluted earnings per share of Class A and B common stock and Class C capital stock | \$ 22.30 | \$ 30.69 | \$ 58.61 | \$ 112.20 |
| Number of shares used in basic earnings per share calculation | 675,582 | 662,663 | 680,816 | 667,650 |
| Number of shares used in diluted earnings per share calculation | 682,969 | 672,493 | 687,028 | 677,674 |



You might think that if Google's profit was \$76 billion... The cash in Google's bank account would also increase by \$76 billion?

If you look at Google's bank account,

From 2020 to 2021, CASH actually went DOWN

From \$26.4 billion to \$20.9 billion

This is a reduction of \$5.5 billion

| | As of December 31, 2020 | As of December 31, 2021 (unaudited) |
|---|-------------------------------|--|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 26,465 | \$ 20,945 |
| Marketable securities | 110,229 | 118,704 |
| Total cash, cash equivalents, and marketable securities | 136,694 | 139,649 |
| Accounts receivable, net | 30,930 | 39,304 |
| Income taxes receivable, net | 454 | 966 |
| Inventory | 728 | 1,170 |
| Other current assets | 5,490 | 7,054 |
| Total current assets | 174,296 | 188,143 |

Cash balance decreased by \$5.5 billion from 2020 to 2021



The cash flow statement answers three questions:

1. How was PROFIT converted into CASH?
2. How was the cash was used?
3. How did you get the cash balance in your bank account?



The cash flow statement has three sections:

1. Cash flow from Operating Activities
2. Cash flow from Investing Activities
3. Cash flow from Financing Activities

In the case of Google, The Cash Flow Statement starts with \$76 billion in profit and ends with a decrease of \$5.5 billion in cash



Operating Activities

| Fiscal year is January-December. All values USD Millions. | 2021 |
|---|---------|
| Net Income before Extraordinaries | 76,033 |
| Net Income Growth | 88.81% |
| Depreciation, Depletion & Amortization | 12,441 |
| Depreciation and Depletion | 11,555 |
| Amortization of Intangible Assets | 886 |
| Deferred Taxes & Investment Tax Credit | 1,808 |
| Deferred Taxes | 1,808 |
| Other Funds | 2,893 |
| Funds from Operations | 93,175 |
| Changes in Working Capital | (1,523) |
| Receivables | (9,095) |
| Accounts Payable | 283 |
| Income Taxes Payable | (625) |
| Other Accruals | 8,986 |
| Other Assets/Liabilities | (1,072) |
| Net Operating Cash Flow | 91,652 |

Investing Activities

| All values USD Millions. | 2021 |
|-------------------------------------|-----------|
| Capital Expenditures | (24,640) |
| Capital Expenditures (Fixed Assets) | (24,640) |
| Capital Expenditures Growth | -10.59% |
| Capital Expenditures / Sales | -9.57% |
| Net Assets from Acquisitions | (2,618) |
| Sale of Fixed Assets & Businesses | - |
| Purchase/Sale of Investments | (8,806) |
| Purchase of Investments | (138,034) |
| Sale/Maturity of Investments | 129,228 |
| Other Sources | 541 |
| Net Investing Cash Flow | (35,523) |

Financing Activities

| All values USD Millions. | 2021 |
|---------------------------------------|----------|
| Change in Capital Stock | (50,274) |
| Repurchase of Common & Preferred Stk. | (50,274) |
| Issuance/Reduction of Debt, Net | (1,236) |
| Change in Long-Term Debt | - |
| Issuance of Long-Term Debt | 20,199 |
| Reduction in Long-Term Debt | (21,435) |
| Other Funds | (9,852) |
| Other Uses | (10,162) |
| Other Sources | 310 |
| Net Financing Cash Flow | (61,362) |
| Net Financing Cash Flow Growth | -151.40% |
| Net Financing Cash Flow / Sales | -23.83% |
| Exchange Rate Effect | (287) |
| Net Change in Cash | (5,520) |



In essence, the Cash Flow Statement is saying:

In 2021:

Google Made a **PROFIT of \$76 billion**, but **lost \$5.5 billion of Cash**

Let's dig into why this happened:

Cash flow from Operating Activities



Tells you:

- How profit was converted into cash
- How much cash the business made

In the case of Google,

The company made \$76 billion of profit in 2021

But it actually collected COLD HARD cash of \$91.6 billion during the year

Cash collected at Google was HIGHER than Profit!

| | Quarter Ended December 31, | | Year Ended December 31, | |
|--|----------------------------|-----------|-------------------------|-----------|
| | 2020 | 2021 | 2020 | 2021 |
| | (unaudited) | | (unaudited) | |
| Operating activities | | | | |
| Net income | \$ 15,227 | \$ 20,642 | \$ 40,269 | \$ 76,033 |
| Adjustments: | | | | |
| Depreciation and impairment of property and equipment | 3,539 | 3,215 | 12,905 | 11,555 |
| Amortization and impairment of intangible assets | 186 | 224 | 792 | 886 |
| Stock-based compensation expense | 3,223 | 3,954 | 12,991 | 15,376 |
| Deferred income taxes | 1,670 | 1,616 | 1,390 | 1,808 |
| Gain on debt and equity securities, net | (3,262) | (2,478) | (6,317) | (12,270) |
| Other | 392 | (14) | 1,267 | (213) |
| Changes in assets and liabilities, net of effects of acquisitions: | | | | |
| Accounts receivable | (5,445) | (5,819) | (6,524) | (9,095) |
| Income taxes, net | 740 | (3,369) | 1,209 | (625) |
| Other assets | (738) | (399) | (1,330) | (1,846) |
| Accounts payable | 963 | 1,157 | 694 | 283 |
| Accrued expenses and other liabilities | 4,613 | 4,541 | 5,504 | 7,304 |
| Accrued revenue share | 1,362 | 1,296 | 1,639 | 1,682 |
| Deferred revenue | 207 | 368 | 635 | 774 |
| Net cash provided by operating activities | 22,677 | 24,934 | 65,124 | 91,652 |

Cash flow from Investing Activities



Tells you:

- What assets did the company buy?
- Did the company do any M&A?

| Investing activities | | | | |
|--|----------|----------|-----------|-----------|
| Purchases of property and equipment | (5,479) | (6,383) | (22,281) | (24,640) |
| Purchases of marketable securities | (31,644) | (40,090) | (136,576) | (135,196) |
| Maturities and sales of marketable securities | 35,155 | 36,168 | 132,906 | 128,294 |
| Purchases of non-marketable securities | (5,311) | (770) | (7,175) | (2,838) |
| Maturities and sales of non-marketable securities | 425 | 344 | 1,023 | 934 |
| Acquisitions, net of cash acquired, and purchases of intangible assets | (370) | (385) | (738) | (2,618) |
| Other investing activities | (57) | 100 | 68 | 541 |
| Net cash used in investing activities | (7,281) | (11,016) | (32,773) | (35,523) |

The company spent \$35.5 billion buying:

- Property and equipment
- Marketable securities (bonds and stocks)
- Making acquisitions (M&A)

Cash flow from Financing Activities



Tells you:

- Did the company raise money from investors?
- Did the company get a loan?

In the case of Google

The company spent \$61.3 billion on:

- Buying back stock
- Paying back debt
- Issuing stock rewards

| Financing activities | | | | |
|--|---------|----------|----------|----------|
| Net payments related to stock-based award activities | (1,647) | (2,923) | (5,720) | (10,162) |
| Repurchases of common and capital stock | (7,904) | (13,473) | (31,149) | (50,274) |
| Proceeds from issuance of debt, net of costs | 0 | 6,250 | 11,761 | 20,199 |
| Repayments of debt | (57) | (6,365) | (2,100) | (21,435) |
| Proceeds from sale of interest in consolidated entities, net | 338 | 0 | 2,800 | 310 |
| Net cash used in financing activities | (9,270) | (16,511) | (24,408) | (61,362) |



So, the final tally is:

- Cash Flow from Operating Activities: \$91.6 billion
- Cash Flow from Investing Activities: (\$35.5) billion
- Cash Flow from Financing Activities: (\$61.3) billion

The sum makes up the decrease in cash of (\$5.5) billion

(minor diff. due to f/x)



So what does this mean?

It means Google generates INSANE amounts of cash to the tune of \$91 billion per year

However, the company also SPENDS all of this cash

It is spent on FINANCING and INVESTING activities until it's in a negative position

Is this a bad thing?

If Google is investing in new equipment, that's probably a good long-term decision for the company

If Google is buying back stock, that rewards its shareholders



You're probably asking yourself....

But if Google made \$91 billion in cash, shouldn't it keep some of itself?

Google can actually afford to go into a negative cash position because its balance sheet is actually FLUSH with CASH

At the end of 2021, Google had \$20.9 billion of cash

Google also had \$118.8 billion of marketable securities (stocks and bonds) that can be sold and converted to cash.



So Google's total cash + marketable securities otherwise called "cash equivalents" balance was \$139.6 billion

| | As of December 31, 2020 | As of December 31, 2021 (unaudited) |
|---|-------------------------------|--|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 26,465 | \$ 20,945 |
| Marketable securities | 110,229 | 118,704 |
| Total cash, cash equivalents, and marketable securities | 136,694 | 139,649 |



Hopefully, now it's starting to make sense why the company doesn't need to keep its cash and it can spend it all...

The company already has so much CASH on hand!

Adding another \$91 billion is not necessary

The executives at Google chose to spend the cash on investments and give it back to shareholders instead of adding more cash to the company's bank account



Summary

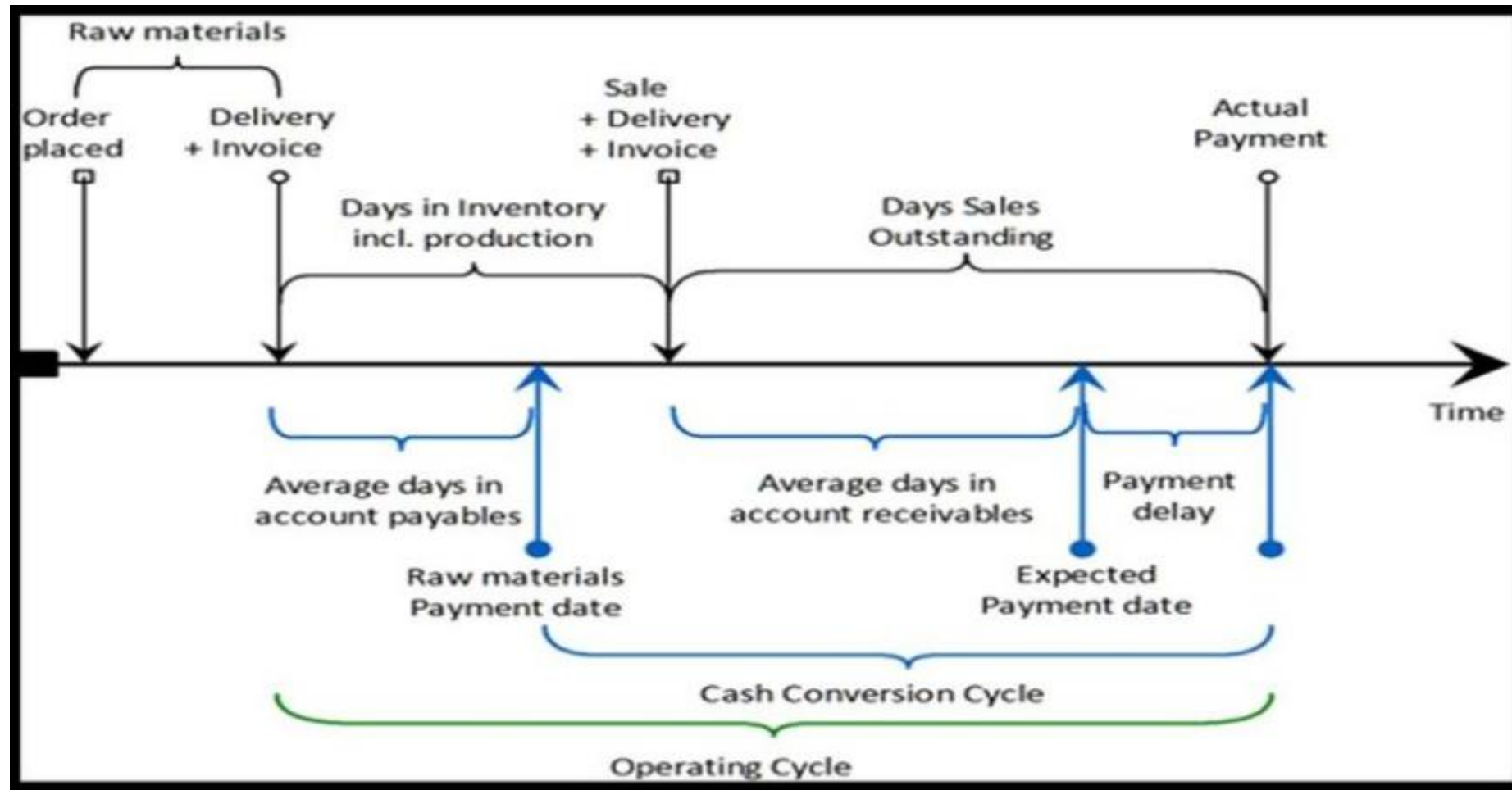
- Income Statement Profit is an accounting measure that tells how much money was made during a period of time
- Balance Sheet measures everything the business owns at a specific point in time
- Profit doesn't tell you how much CASH was made so we need to uncover the mismatch between profit and Cash Flow
- The Cash Flow Statement explains How PROFIT was converted into CASH





5 Tips to Improve Cash Flow

Cash Flow Cycle



Cash Flow Timing Mismatch!



1. eCommerce

2. DTC

3. Retail

Expenses
Beginning of Month

Payments
End of Month

Expenses

Rent: January 1st
Subscriptions: January 1st
Payroll: January 15th

Client Payments

January 30th

Time

Cash Flow Improvement



- #1** Ask for a deposit Less billing and more down payments
- #2** Send invoices quickly If not keeping up, the outsource or using an integrated service provider
- #3** Bill frequently Project billing at end of month or at major milestones
- #4** Make it easy to pay Set up electronic bill pay thru bank or fintech or preauthorized debits
- #5** Credit Line Flexibl Loan – Also a variety of flexible loan options through a new CPA Portal within as little as 72 hours from initial request for funds

What is Leverage?



The Basics

Using Debt to
Buy Assets

Why Do Investors Use Leverage?



#1

Buy an asset you can't afford

#2

"Juice" investment returns



Using leverage to buy an asset

What Happens When Buying a Home





Year #1:

Purchase Price: \$500,000

Equity: \$100,000

Bank Debt: \$400,000



Year #5:

Market Value: \$1,000,000

Less:

Mortgage: (\$350,000)

Gain: \$650,000

Return:



**Gain: \$650,000 / Investment: \$100,000
= 650%**

Juicing Returns

No Leverage Scenario – \$1M Purchase of two homes



\$1,000,000

Buy 2 Homes

\$500,000 each



No Leverage Scenario



Year #1

House #1

Purchase Price = \$500,000

Equity = \$500,000

Bank Debt = \$0

House #2

Purchase Price = \$500,000

Equity = \$500,000

Bank Debt = \$0

No Leverage Scenario



Year #5

House #1

Market Value = \$1,000,000

Cost = \$500,000

Gain: = \$500,000

House #2

Market Value = \$1,000,000

Cost = \$500,000

Gain: = \$500,000

No Leverage Scenario



Year #5

House #1 & #2

Market Value = \$2,000,000

Cost = \$1,000,000

Gain: = \$1,000,000

Return:

$$\text{\$2,000,000} / \text{\$1,000,000} = \text{100\%}$$



Scenario #2 : 10 Houses

Leverage Scenario – \$1M Purchase of ten homes



Buy 10 Houses

\$1,000,000

Down Payment : \$100k

+

Mortgage \$400k

=

Purchase Price \$500k



\$1,000,000

Divided by 10

= \$100,000 per home

Leverage Scenario



Year #1

10 Houses

Purchase Price = \$500,000 * 10 = \$5,000,000

Equity = \$100,000 * 10 = \$1,000,000

Bank Debt = \$400,000 * 10 = \$4,000,000



Leverage Scenario

Year #5

10 Houses

Market Value = \$1,000,000 * 10 = \$10,000,000

Less:

Mortgage = (\$350,000) * 10 = (\$3,500,000)

Gain: \$6,500,000

Return:

Gain of \$6,500,000 / Investment of \$1,000,000

= 650%



When Leverage Doesn't work

When Leverage Fails

Year #5

10 Houses

Cost = $\$500,000 * 10 = \$5,000,000$

Market Value = $\$250,000 * 10 = \$2,500,000$

Less:

Mortgage = $(\$350,000) * 10 = (\$3,500,000)$

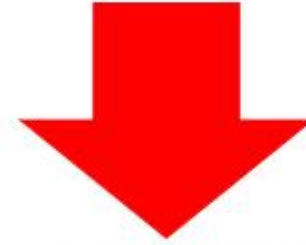
Loss: $\$1,000,000$

Return:

Loss of $\$1,000,000$ / Investment of $\$1,000,000$

= - 200%

Home Prices



DANGER

**HIGH
VOLTAGE**

Money owed to the bank > Asset Value

Leverage Used to Juice Returns In:



Stocks

Bonds

Private Equity

Crypto

What is a Tech Stack?

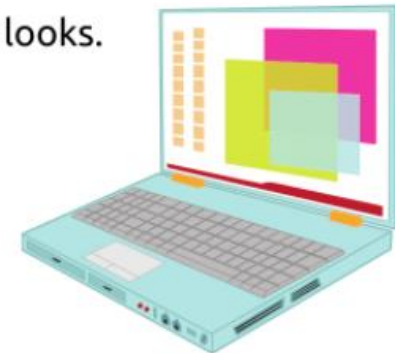


A tech stack is a set of technologies used to efficiently accomplish business tasks. The idea is derived from the app development world. It consists of two elements: the front end and the back end.

The front end is the client-side technology and processes. It's how users interact. The back end consists of a variety of tools, processes and apps to achieve business goals.

Front end

How it looks.



Back end

How it works.

APEX US Financial Tech Stack For Supporting Clients



Admin

| | |
|------------------------|--|
| Accounting Software | |
| Bill Pay | |
| Client Interaction | |
| Cloud Storage | |
| Expense Management | |
| Internal Communication | |
| Meeting Scheduling | |
| Productivity Tools | |
| Recruiting | |
| Security | |
| Task Management | |
| Time Tracking | |
| Workflow Automation | |

Audit, Production & Tax

| | |
|---------------------|--|
| Audit | |
| Audit Research | |
| Audit Software | |
| Production | |
| Accounting Software | |
| Bill Pay | |
| Dashboarding | |
| Expense Management | |
| Forecasting | |
| Time Tracking | |
| Tax | |
| Tax Software | |

Marketing

| | |
|-------------------|--|
| CRM | |
| Sales & Marketing | |
| Social Media | |
| Website | |

APEX Tech Stack – Drill into bill.com Integration



70%

70% of Businesses make B2B payments by check

\$22

Businesses spend \$22 to process an invoice due to manual processes

With Preferred Pricing Break Even Point is equivalent to processing just 4 transactions per month



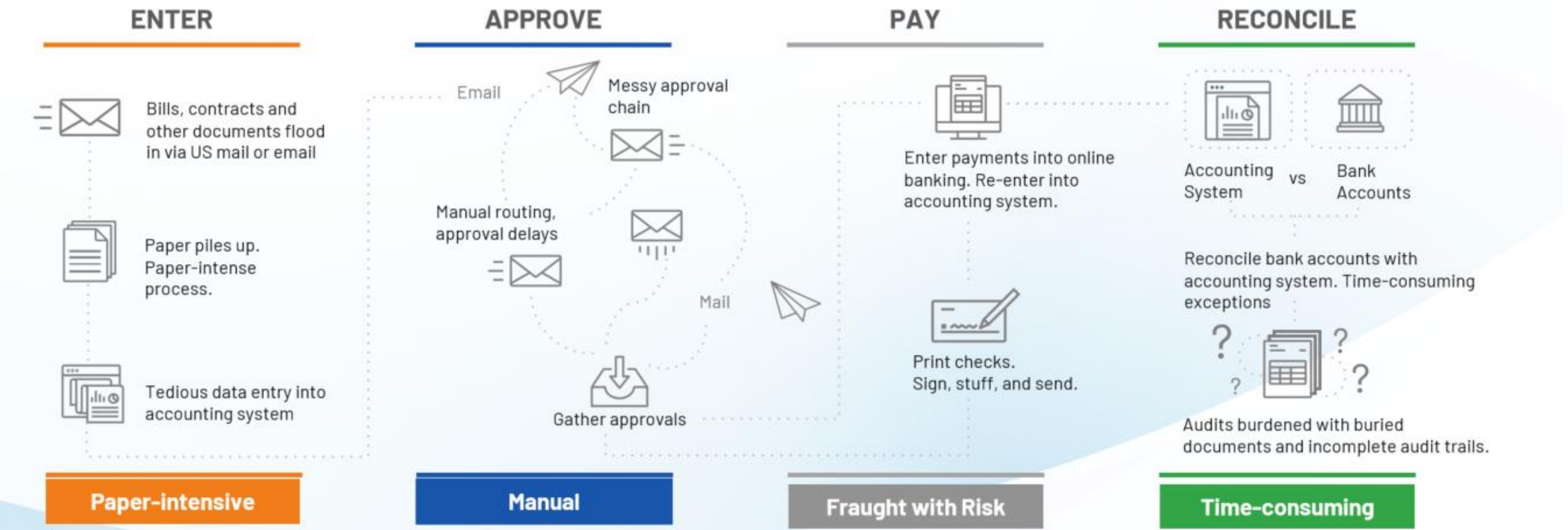
Source: Goldman Sachs Equity Research| September 2018

APEX Tech Stack – Drill into bill.com Integration



Today's AP Process is Inefficient

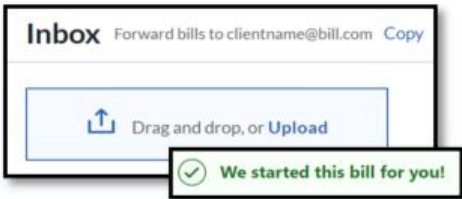
Manual work creates inefficiency, extra costs and opens the door to risk.



APEX Tech Stack – Drill into bill.com Integration



Integration of Technology and Processes allows Outsourcing



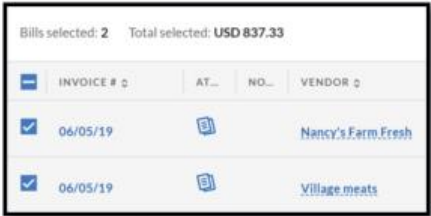
Capture

Receive Invoices in Bill.com inbox. IVA codes the bill in real time.



Approve

View and approve bills online from any device.



Pay

Make domestic ACH, international wire, virtual card or check payments with a click.



Sync

Automatically sync with accounting system; easy audits.

Paperless

Automated

Flexible

Efficient

APEX Tech Stack – Drill into bill.com Integration



Invoice and Approve Payments On the Go!

Get paid faster
Receive payments from other businesses using Bill.com.

Send Invoice

| INVOICE DETAILS | |
|-----------------|--------------|
| INVOICE # | 10002 |
| INVOICE DATE | 09/30/2019 |
| DUPLICATE | 10/30/2019 |
| AMOUNT | USD 7,500.00 |

| LIVE ITEMS | |
|---------------------------------|---------------------|
| Deluxe/Whiting Catering Package | USD 7,500.00 |
| Subtotal | USD 7,500.00 |
| Sales Tax(5%) | USD 0.00 |
| Total | USD 7,500.00 |
| Payments | USD 0.00 |
| Amount Due | USD 7,500.00 |

Approve with a swipe
Review bills from anywhere.

Approved

| Bills to Approve | |
|-----------------------|--------------|
| BPM Property Group | USD 2,450.00 |
| Buffalo Restaurant Su | USD 1,100.00 |
| Hacienda Design | USD 365.00 |

Pay online
Make ePayments with a tap.

Submit Payment

| Enter Payment Details | |
|-----------------------|------------|
| Hacienda Design | 43890 |
| OPEN BALANCE | USD 365.00 |
| DUE DATE | 09/10/2019 |

Stay on track
See to-dos in one place.

To do items

- Approve 3 bills **USD 3.8K**
- Pay 4 bills **USD 4.1K**

Payables overview

- OPEN BILLS WITHOUT
- Overdue **USD 365.00**
- Due today **USD 456.00**
- Due in next 7 days **USD 456.00**

APEX Tech Stack – Drill into bill.com Integration



Remittance Info: Acct#A123456B - Inv #012341234

FixIT Consulting Inc.
145 Jefferson Street
Redwood City, CA 94303
650-555-1212

SILICON VALLEY BANK 54250
Verify: 888-237-9615
90-4039/1211

11/13/2013

PAY TO THE ORDER OF Blue Cross of California \$ 17018.00

Seventeen Thousand Eighteen and 00/100 DOLLARS

Blue Cross of California
PO BOX 54630
LOS ANGELES, CA 90054

From: FixIT Consulting Inc. Date: 11/13/2013
Pay To: Blue Cross of California Check #: 54250

| Invoice Number | Bill Amount | Payment Amount |
|----------------|--------------------|--------------------|
| 012341234 | \$17,018.00 | \$17,018.00 |
| Total | \$17,018.00 | \$17,018.00 |

Group Name: Fix It Invoice Number: 012341234
Group Number: 41423 Billing Period: mm-dd-yy to mm-dd-yy
Date: mm-dd-yy Page Number: 1 of 2

BILLING SUMMARY

| Price Billing | Amount Due | Amount Paid | Balance |
|------------------|------------|-------------|-----------|
| BLUE CROSS | 17,018.00 | 17,018.00 | 0.00 |
| Subtotal | | | 0.00 |
| Current Billing | 17,018.00 | 17,018.00 | 17,018.00 |
| Subtotal | | | 17,018.00 |
| Total Amount Due | | | 17,018.00 |

Blue Cross Amount Due: \$ 17,018.00
Total Amount Due: \$ 17,018.00
Blue Cross Amount Paid: \$

BLUE CROSS OF CALIFORNIA
PO BOX 54630
LOS ANGELES CA 90054-0630

Account & invoice
Your account # with this vendor (to help them identify you) and the invoice # of the bill you're paying.

Your contact info

Vendor you're paying

Our bank account & routing number

The check is paid from our bank account, so the vendor never sees your bank info.

Check stub

If you're paying one bill, we show the first page.
If you're paying several bills, we show a summary.



Protection from
Fraud

APEX Tech Stack – Benefits of bill.com Integration



- Preferred Pricing Offered
- AI Powered to eliminate time per transaction (ie. Monitor for mistakes, reviews for duplicates)
- Complete End to End Workflow including approval process
- System will make suggestions like setting up recurring payments for approval and payment
- Offers flexible payment options for vendors (ACH, International Payments, Check, Virtual Card)
- Syncs with General Ledger

When is the right time to hire a professional?

The chart below should help be a starting point for scoping your needs:

Bill Pay is an option at all levels





Illinois Small Business Development Center

Turner Center for Entrepreneurship

Questions?

Grant Seshul CPA

grantseshul@apexusfinancial.com

309.472.6683

Or Schedule a meeting at [APEXUSFINANCIAL.COM](https://www.apexusfinancial.com)