



**Fundraising**

# Program Objectives (1 of 3)

- ✦ Understand what Financing for For-Profits encompasses
- ✦ Why you should raise funds for profitable businesses
- ✦ Comprehend how much money you should raise for certain projects

# Program Objectives (2 of 3)

- ✦ Learn how to acquire a loan
- ✦ Explore the different sources for credit
- ✦ Comprehend the function of venture capitalists

# Program Objectives (3 of 3)

- ✦ Learn about the SBA, State Agencies, and “Angels”
- ✦ Understand the different signs of dangerous debt
- ✦ How to make the best of banks and financing companies

# Eight Easy Tips for Fundraising (5 of 8)

## 5. Use the Small Business Administration (SBA) to expand your existing business

- Beware, this process can take 3 to 4 months
- Won't really loan to new businesses

# What's an angel investor?

(2 of 2)

- ✦ Take high personal risk in the expectation of owning part of a growing and successful business
- ✦ For this reason, not all small businesses are suitable for Angel Investments

# Is My Business Suitable for Angel Investment? (5 of 6)

- ✦ You need an experienced and professional management team
- ✦ If there are weaknesses in the existing team, a business angel can often provide the missing skills or introduce new management

# What is a Venture Capital Firm? (1 of 3)

- ✦ Typically comprised of small teams with technology backgrounds
- ✦ Also people with business training or deep industry experience



# Should I Use a Venture Capital for Financing? (1 of 6)

- ✦ Your business needs innovative technology
- ✦ Needs potential for rapid growth

# Beware of Debt Overload, Five Indicators (1 of 8)

- ✦ When raising funds for a new business idea or expansion, beware of over borrowing and building debt
- ✦ Ideally, long term debt payments, including mortgage and credit card payments, shouldn't exceed 36% of your gross monthly income

# 20 More Simple Debt Indicators (9 of 12)

- ✦ You write checks today on funds that will be deposited tomorrow
- ✦ You don't have a budget

# How Much Money Do I Need?

(5 of 7)

- ✦ Correctly estimate your startup time
- ✦ Time = money, factor extra time for overlooked time-consuming business requirements
- ✦ Government obligations like zoning and safety inspections could push your start up time frame by months

# Six Questions to Determine Startup Costs (4 of 5)

5. Will you have construction costs, and if so, how much needs to be done by professionals and how much can you do yourself?
6. What can you do to lower costs?

# Borrowing Money from Friends and Family (5 of 7)

- ✦ Friends and family members care about you and the success of your business, more so than other investors
- ✦ Set ground rules like a repayment plan

# What is Seller Financing?

(3 of 7)

- ✦ It also sets incentive for the seller to succeed in the creation of the business by investing his/her own money
- ✦ Acts as an indicator of the seller's faith in the future of the business

# Why Should a Buyer Ask for Seller Financing? (2 of 3)

- ✦ After a sale, the seller and buyer frequently disagree about the future of the business
- ✦ If a seller note is in place, the seller has motive to temper any irritation caused by the buyer with forbearance



# How Can Both Buyer and Seller Benefit? (3 of 4)

- ✦ If you are a buyer, seller financing can offer you better terms and a friendlier lender:
  - You will be able to buy the business quicker because you don't have to wait for banks
  - No loan processing or guarantee fees, and no invasive lender controls/audits

# Types of Bank Business Loans (4 of 8)

## 3. Equipment financing

- Easier to obtain than general lines of credit because equipment you buy serves as direct collateral for the loan
- Less risky, because if you are unable to make your payments, you simply lose the equipment you purchased

# Applying for a Business Loan from a Bank (2 of 13)

- ✦ Begin your proposal with a cover letter or executive summary
- ✦ Clearly/briefly explain:
  - who you are
  - your business background
  - the nature of your business
  - the amount and purpose of your loan request
  - your request terms of repayment
  - how the funds will benefit your business
  - how you will repay the loan

# 12 Tips for Getting a Bank Loan Approved (10 of 16)

- ✦ Do not stretch the truth in your loan application
- ✦ Avoid broad, vague statements
- ✦ Lenders can easily check many of the facts in your application, you have to be able to support each statement with data

# What is the Government's Role? (2 of 3)

- ✦ This guaranty is a promise to pay a portion of the loan back to the banks in case the business owner defaults on the loan
- ✦ A guaranty reduces the lender's risk, which allows the lender to make loans to business owners who don't qualify for traditional loans

# Scenario:

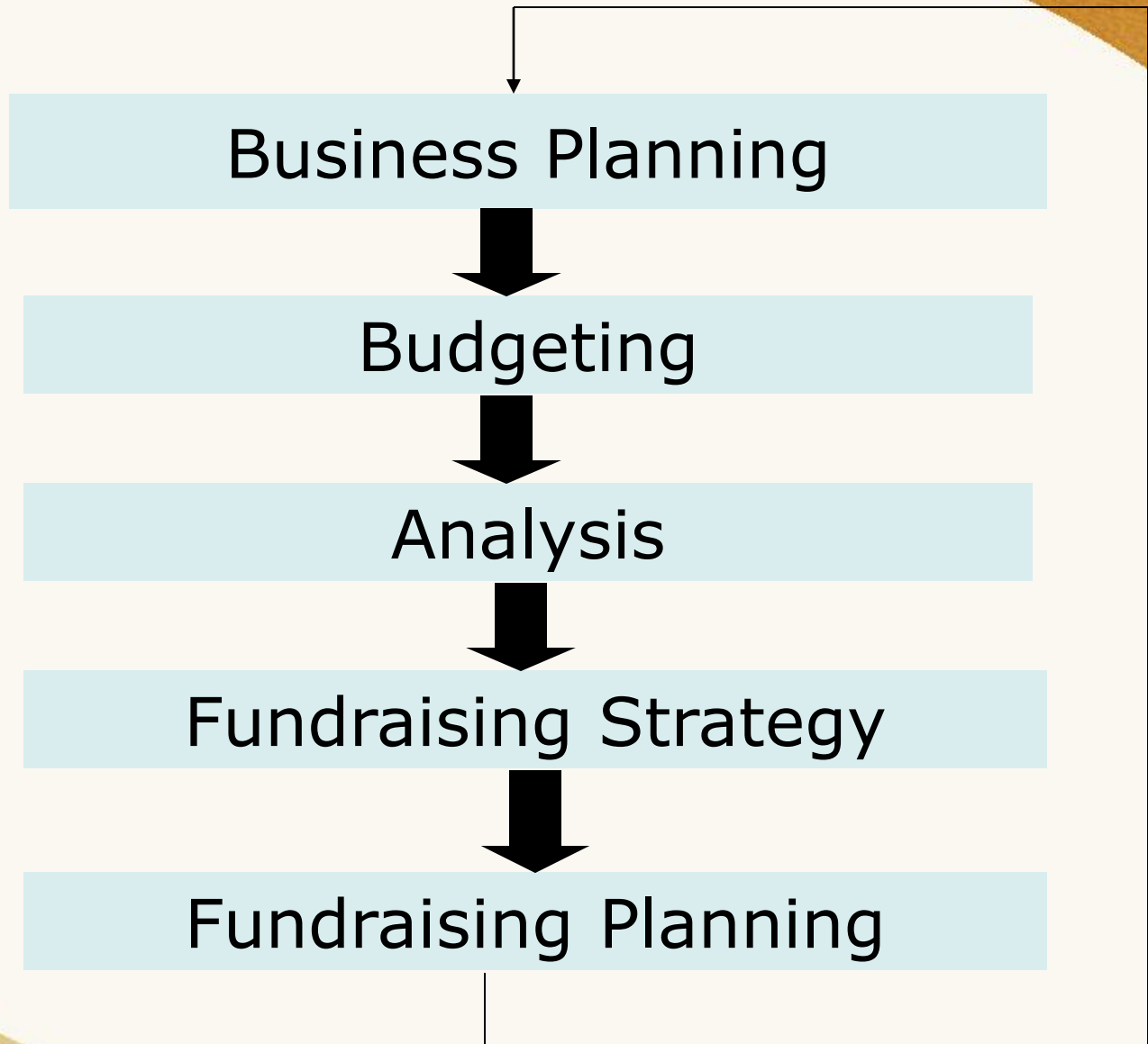
## Bake Sale vs. Business Letter

### Bake Sale

- ✦ **Needed:** 84 to bake 24 items (2 dozen each); 6 to sell
- ✦ **Sale price:** 50¢/each
- ✦ **# needed to sell:** 2000 ( $\times 0.50 = \$1,000$ )
- ✦ **Customers:** game attendees
- ✦ **Personnel:** Volunteers
- ✦ **Direct costs:** Zero (volunteers will donate the cost of their goods)
- ✦ **What is the benefit/return?**

### Target Letter

- ✦ **Needed:** 3 people to write letters, follow-up calls and/or in person visits
- ✦ **Sell price:** \$500 for signage at football event and press release in paper
- ✦ **# of letters to be written:** 1
- ✦ **Customers:** 3 Targeted Businesses
- ✦ **Personnel:** Volunteer
- ✦ **Direct costs:** Signage
- ✦ **What is in it for these businesses?**



# Budgeting: Operational Costs

- ✦ What is the organization's overall budget?
  - Core costs
  - Current projects
  - Upcoming new projects



# Fundraising Strategy:

## ✦ Business Plan

- Proposed sources

## ✦ Project Needs

- Contingency
- Resources needed

# Fundraising Plan:

- ✦ Project Needs in Detail
  - Proposed sources
- ✦ Who and how to action
  - By when
- ✦ Expected decision date
  - Record of progress