

The Trusted Business Advisors at Brinker Simpson, CPAs Help Small and Medium Sized Business with Financing Guidance

Obtaining a commercial loan can be one of the biggest challenges facing a growing business. Even experienced small business owners can feel overwhelmed and under-prepared when seeking outside financing. Bank loans can be a flexible source of capital for businesses, but don't underestimate the need to make a strong case. Your ability to secure a loan greatly depends on how well you present yourself and your company to prospective lenders.

We advise our clients to establish a "relationship" with their bankers. They are, in a way, partners in the business. It is important to be transparent with your banker, be sure they are well informed about your plans for growth and the anticipated needs for bank financing. Let them know the good things in your company and the not so good as well. Occasionally our clients need to make a banking change because their current banker, who may have been brought in to open bank accounts when the company was formed, does not share the same vision the owners have as to the strategic direction of the company. You and your banker need to be on the same page.

You want your banker to be engaged in the process, not just a person collecting data who offers no ideas or options. Sometimes your banker is only as good as his last "yes". When bankers say no, without options, their customers will certainly leave and seek a new banking relationship.

Once you've established a relationship with a bank and are ready to present a lending opportunity, be very organized. Coming to your banker meeting with professionally prepared tax returns, CPA financial statements, and personal financial statements will make a strong impression with the banker and help expedite the loan process.

Creating success in borrowing for your company is easy...tell the banker...

"How much we need"... "What we need it for" "How are we going to secure it"...and "How are we going to pay it back".

Your "borrowing story" needs to be complete when you go to meet your new banker and convince him you are a great risk.

Create a file with multiple copies that your bankers can take with them to help ensure success. Be sure to include the following:

- My "borrowing story"...How much, what for, collateral, and payback
- Your company's history, always include color pictures, where you were and now look at you.

- Key executive summary, show the skills of the management team, include pictures of your group
- Three years of tax returns, company and personal for the owners
- Three years of CPA prepared financial statements, if you have them, if not prepare nice internal statements...but make sure they are correct in every aspect. Too often we see sloppy work that kills deals
- Current personal financial statements for each owner.

Bankers who receive a file like this are very pleased...they don't have to do a lot of work digging. Make sure you deliver an electronic version as well so they can easily share information with those who will need to review the deal.

You want to excite your bankers...show them what a great company you are...you are asking them to convince their bank to lend you money so you are able to achieve success at the next level....so MAKE A GOOD IMPRESSION.

Finally remember Delaware County is a banking mecca. From the single branch banks, to the international banks, they are all vying for a slice of the pie locally....banks need to lend money to make money. Banks want to lend money to credit-worthy businesses. To demonstrate that you and your business are a good credit risk, consult with a CPA who specializes in small and medium businesses. They can provide valuable advice about how to present key financial and business information accurately and competently.

When weighing your financing options, it pays to know the value of your business.

Whether you lead a large corporation or own a small business, chances are at some point you will need to know how much your business is worth. Most often businesses seek valuations at the time of a purchase or sale, but understanding the value of the business may also be needed when seeking financing.

Brinker Simpson's Valuation Services team recently helped a local retail home furnishings & equipment store that needed a quick answer to what the business was worth. Within a few days of receiving all the relevant financial information, we were able to estimate the fair market value of the business, which provided enough information to assist them in making a sound financial decision.

In any business transaction, it is important to be well informed. A business valuation triangulates the value, including factoring in market conditions, past performance, and intangibles. Whether you are buying or selling a business, or seeking additional financing, it is important to come to the table with a solid valuation to speed negotiations and act in good faith.