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FROM GUESS TO FORECAST:
BUILDING FINANCIAL PROJECTIONS YOU CAN DEFEND…AND USE!



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LISTEN & INTERACT
DON'T FOCUS ON TAKE NOTES!



Within a few days after the webinar, you will receive

- A link to the recording of the webinar
- A copy of the slides in the PowerPoint
- Blanks of all fillable PDFs we review today
- PDFs containing the example data
  - *For that reason, I might at times go through the example data rather quickly.*

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OVERVIEW OF TODAY'S WEBINAR

After participating in today's webinar, each participant will have a clearer understanding of:

- Where to begin when building financial projections
- How to estimate revenue when the business does not yet have historical data
- How to distinguish direct costs from operating expenses
- How to build assumptions that can be explained to lenders, investors, and other stakeholders
- How projections can be used as an ongoing decision-making tool—not just a requirement for funding
- How AI can assist with research, assumptions, and the forecasting process

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MEET MAIN STREET BAKERY



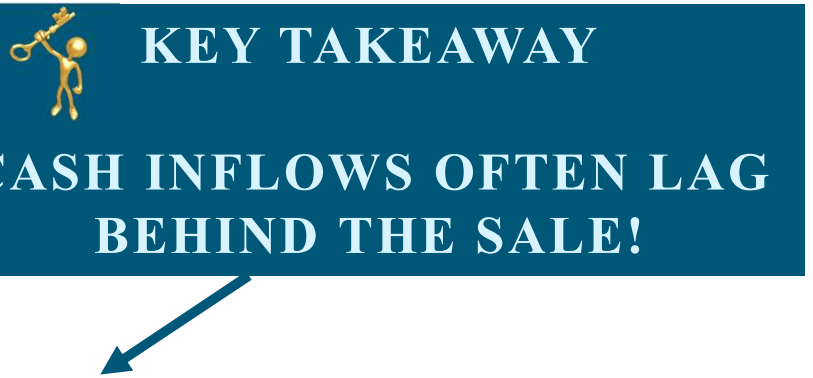
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OUR CONTINUING EXAMPLE

The scenario

- Alex Morgan plans to open a small Oshkosh bakery in April 2027.
- The bakery will offer:
  - pastries/coffee sold at the counter
  - custom cakes
  - weekly wholesale supply to local cafés.
- The owner is the main baker.
- A part-time counter assistant joins in July.
- Wholesale invoices are expected to be paid after 30 days, while counter sales are immediate



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THE BAKERY STORY…..

- At first, everything looks promising. Customers gradually discover the bakery, sales increase, and the business works toward a normal operating month.
- But there's a wrinkle: the owner wants to withdraw $2,500 per month, and the bakery also needs to make loan payments.
- Can the bakery support both? That's the question we'll gradually uncover through the forecast.

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BUT LET'S START AT THE BEGINNING … AND THEN CREATE A PROCESS



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WHAT MAKES A FORECAST DEFENSIBLE?

Three simple principles:

1. Explainable assumptions lead to →
2. Calculated financial results lead to →
3. Decisions you can make and strategies you can build!!



KEY TAKEAWAY

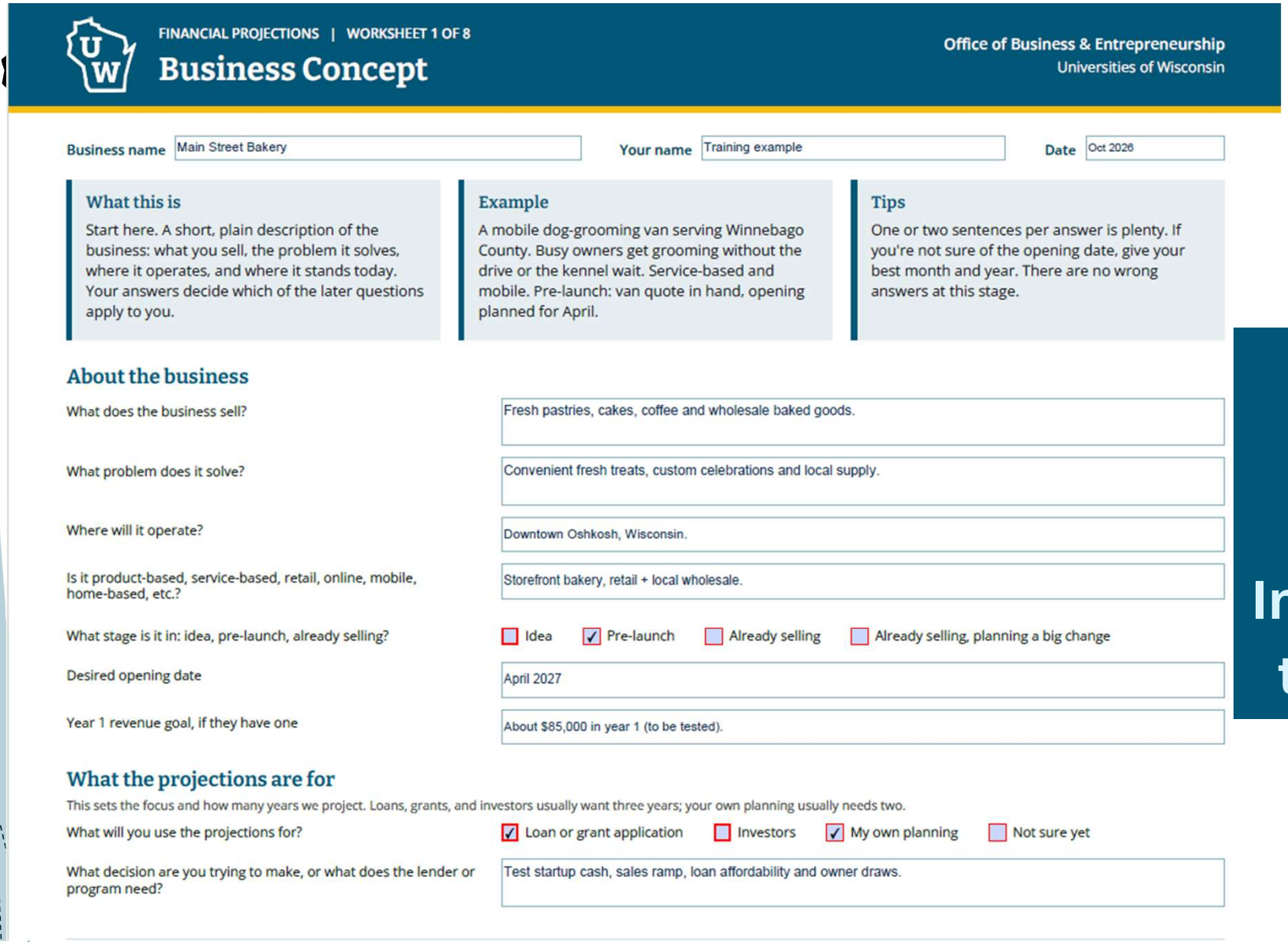
ALWAYS KEEP IN MIND YOUR CONFIDENCE LABELS:

- **Known** — Cost of a building to purchase
- **Estimated** — Quantity you will sell
- **Need to Research** — Sale prices for similar establishments

Building Blocks of a Financial Forecast

A step-by-step pathway from business idea to funding plan





FINANCIAL PROJECTIONS | WORKSHEET 1 OF 8

Business Concept

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Business name Main Street Bakery **Your name** Training example **Date** Oct 2026

What this is
Start here. A short, plain description of the business: what you sell, the problem it solves, where it operates, and where it stands today. Your answers decide which of the later questions apply to you.

Example
A mobile dog-grooming van serving Winnebago County. Busy owners get grooming without the drive or the kennel wait. Service-based and mobile. Pre-launch: van quote in hand, opening planned for April.

Tips
One or two sentences per answer is plenty. If you're not sure of the opening date, give your best month and year. There are no wrong answers at this stage.

About the business

What does the business sell?	Fresh pastries, cakes, coffee and wholesale baked goods.
What problem does it solve?	Convenient fresh treats, custom celebrations and local supply.
Where will it operate?	Downtown Oshkosh, Wisconsin.
Is it product-based, service-based, retail, online, mobile, home-based, etc.?	Storefront bakery, retail + local wholesale.
What stage is it in: idea, pre-launch, already selling?	☐ Idea ☑ Pre-launch ☐ Already selling ☐ Already selling, planning a big change
Desired opening date	April 2027
Year 1 revenue goal, if they have one	About $85,000 in year 1 (to be tested).

What the projections are for

This sets the focus and how many years we project. Loans, grants, and investors usually want three years; your own planning usually needs two.

What will you use the projections for?	☑ Loan or grant application ☐ Investors ☑ My own planning ☐ Not sure yet
What decision are you trying to make, or what does the lender or program need?	Test startup cash, sales ramp, loan affordability and owner draws.

Fillable PDFs & & Introduction to AI Skill!

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FINANCIAL PROJECTIONS | WORKSHEET 2 OF 8

Customer and Market

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Business name: Main Street Bakery

Your name: Training example

Date: Oct 2026

What this is

Who your customer is, why they would choose you over what they do today, and who else is competing for the same dollars. This is what makes your price and sales figures believable.

Example

Primary customer: dual-income households with dogs within 20 miles of Oshkosh. Alternatives: two storefront groomers (4 to 6 week wait) and doing it themselves. Different because we come to them.

Tips

"Competitors" include doing nothing or doing it yourself. Write down what competitors charge when you can find it; it's one of the most useful facts for setting your own price.

Your customer and market

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Your customer and market

Who is the primary customer?	Local residents, commuters, families and nearby offices.
Why would they buy from this business?	Fresh daily items, convenient service and custom orders.
What geographic area or market will be served?	Oshkosh and nearby communities; local café accounts.
How far does your market reach?	☑ Local ☐ Regional ☐ Statewide or national ☐ Global
How will customers buy?	☑ In person ☐ Online ☑ Both
Who are the main competitors or alternatives?	Grocery bakeries, cafés, chain coffee shops, home bakers.
What makes this business different?	Small-batch baking, local wholesale and custom celebration cakes.



Key Takeaway:

Customer demand and market research give us a foundation for our revenue assumptions.

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A step-by-step pathway from business idea to funding plan



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BUILDING THE REVENUE FORECAST



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Building Revenue from the Bottom Up

We start with three key questions.



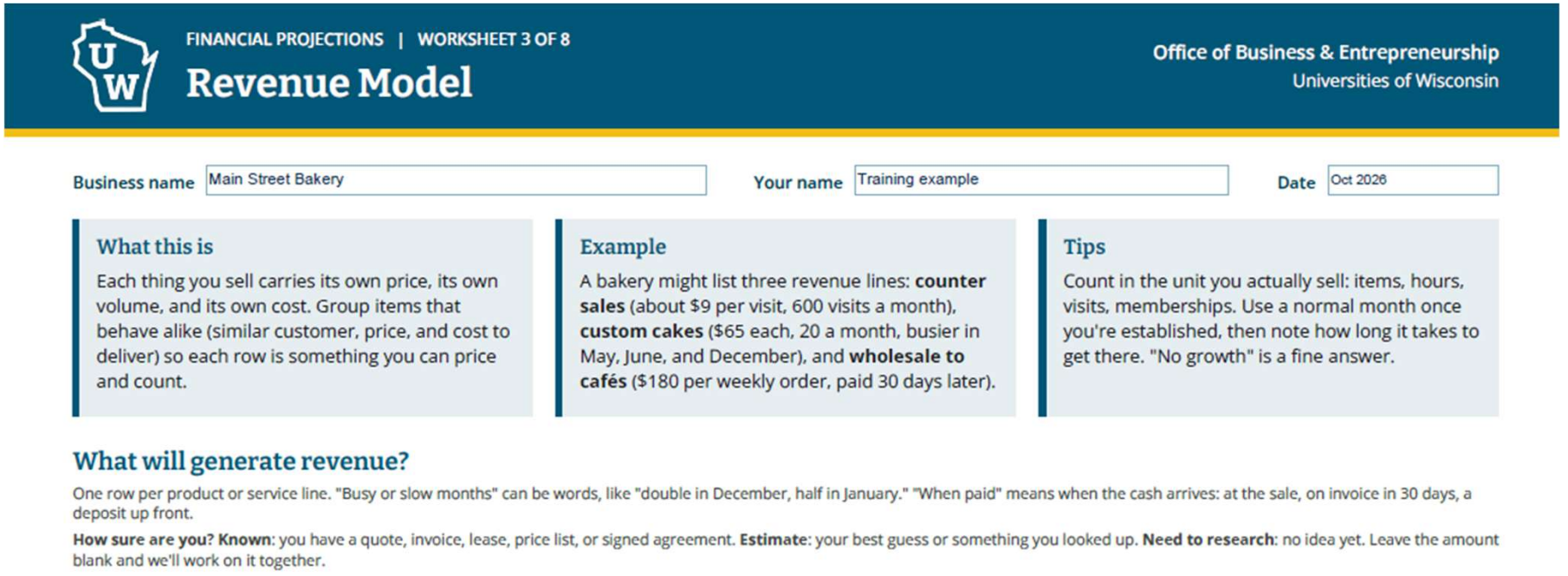
1 What will Alex sell?
- Counter sales (pastries, baked goods, coffee)
- Specialty cakes (custom orders)
- Wholesale (to local cafés)

2 What price will Alex sell at?
- Average purchase per counter transaction
- Average price per custom cake
- Average order value for wholesale

3 How much will Alex sell?
- Transactions per day and days per month
- Number of custom cakes per month
- Number of wholesale orders per month

Projected Monthly Revenue
Built from real products, prices, and volumes

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FINANCIAL PROJECTIONS | WORKSHEET 3 OF 8

Revenue Model

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Business name: Main Street Bakery

Your name: Training example

Date: Oct 2026

What this is

Each thing you sell carries its own price, its own volume, and its own cost. Group items that behave alike (similar customer, price, and cost to deliver) so each row is something you can price and count.

Example

A bakery might list three revenue lines: **counter sales** (about $9 per visit, 600 visits a month), **custom cakes** ($65 each, 20 a month, busier in May, June, and December), and **wholesale to cafés** ($180 per weekly order, paid 30 days later).

Tips

Count in the unit you actually sell: items, hours, visits, memberships. Use a normal month once you're established, then note how long it takes to get there. "No growth" is a fine answer.

What will generate revenue?

One row per product or service line. "Busy or slow months" can be words, like "double in December, half in January." "When paid" means when the cash arrives: at the sale, on invoice in 30 days, a deposit up front.

How sure are you? Known: you have a quote, invoice, lease, price list, or signed agreement. **Estimate**: your best guess or something you looked up. **Need to research**: no idea yet. Leave the amount blank and we'll work on it together.

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What will generate revenue?

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How sure are you? Known: you have a quote, invoice, lease, price list, or signed agreement. **Estimate**: your best guess or something you looked up. **Need to research**: no idea yet. Leave the amount blank and we'll work on it together.

Products/services that will generate revenue	Who buys it	Expected selling price	Price is per (item, hour, month)	How many per month, once established	First sale (month/year)	Any seasonality	Growth per year (%)	When paid	How sure are you?
Counter sales	Local walk-ins	$6	visit	600	Apr 2027	Holiday peaks	3%	At sale	Estimate
Custom cakes	Families	$65	cake	20	Apr 2027	May/Jun/Dec busy	3%	50% deposit	Estimate
Wholesale café	Nearby cafés	$180	weekly order	16	Jul 2027	Fairly steady	3%	Net 30	Estimate
Coffee, tea, other beverages	Local walk-ins	4	visit	800	April 2027	Fairly steady	3%	At sale	Estimate
									Select...
									Select...

A few more questions

Expected number of customers, transactions, units, or billable hours (if different from the table)	600 counter visits + 20 cakes + 16 wholesale orders in established month.

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FINANCIAL PROJECTIONS | WORKSHEET 3 OF 8

Revenue Model (continued)

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How frequently customers are expected to buy	Retail repeat weekly/monthly; cakes occasional; cafés weekly.
Expected timing of launch and growth: how long until a normal month, and what the first months look like	Counter visits Apr-Jun: 300/400/500, Jul 550, Aug+ 600. Cakes 8,10,12,14,16,18, then 20. Wholesale starts Jul with 8/12/16, then 16 orders/month.
Memberships or subscriptions only: new sign-ups per month, and how many cancel each month?	No memberships.
Contracts only: length, whether it's signed, total amount, and whether it's likely to renew	Wholesale intended as recurring orders; no signed contracts yet.
Most you can deliver in a month (hours, orders, seats), and what limits it	600 counter visits, 20 cakes and 16 wholesale orders/month; kitchen hours and oven capacity limit growth.

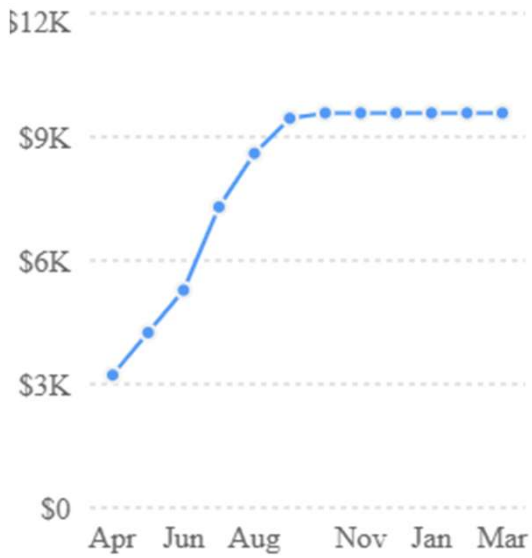
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A FULL MONTH ISN'T THE FIRST MONTH

Expected timing of launch and growth: how long until a normal month, and what the first months look like

Counter visits Apr-Jun: 300/400/500, Jul 550, Aug+ 600. Cakes 8,10,12,14,16,18, then 20. Wholesale starts Jul with 8/12/16, then 16 orders/month.

The business gradually builds sales, wholesale accounts aren't active immediately, and it takes time to reach full customer volume.



KEY TAKEAWAY

DON'T EXPECT TO START AT 100% CAPACITY.

BUILD IN A RAMP UP PERIOD

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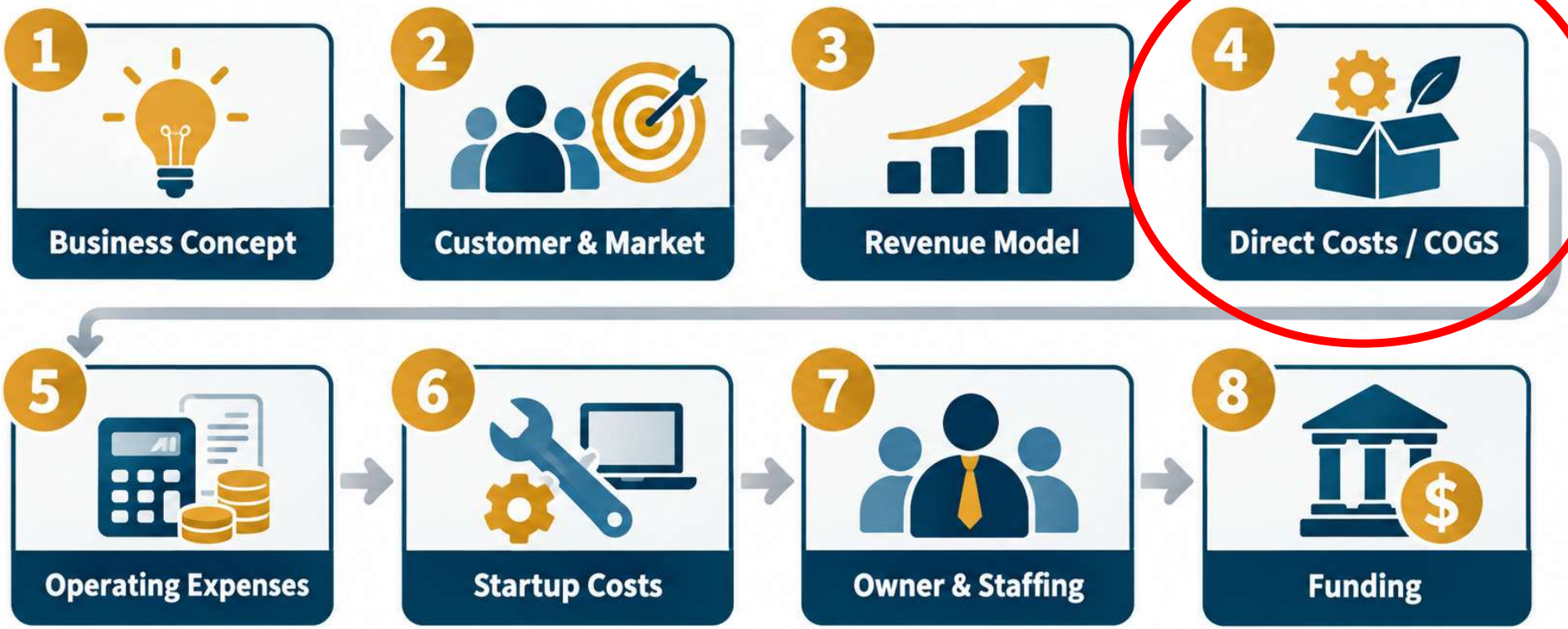
HOW CONFIDENT ARE WE IN THOSE NUMBERS?

Assumption	Confidence	Supporting action
$6 average counter purchase	Estimate	Compare competing bakery prices
600 monthly transactions	Need to research	Evaluate traffic and capacity
$65 specialty cakes	Estimate	Compare local custom cake pricing
$4 coffee/beverages	Estimate	Compare competing bakery & Cafe prices

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Building Blocks of a Financial Forecast

A step-by-step pathway from business idea to funding plan



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UNDERSTANDING THE COSTS



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DIRECT COSTS VERSUS OPERATING COSTS

- The main difference comes down to **production** versus **running the business**.
  - **Direct Costs** are expenses directly tied to making a product or delivering a service. If you don't make a sale or produce an item, you don't incur these costs.
  - **Operating Costs** are the expenses required just to keep your business open and running day-to-day, regardless of your sales volume.

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DIRECT COSTS FOR OUR BAKERY

If Alex sells more muffins, the bakery needs more flour, eggs, blueberries, and packaging.

Those costs are directly related to producing what the business sells.



Key Takeaway:

Pricing Your Products

Knowing your direct costs helps you calculate your Gross Profit Margin.

If it costs you $5 in direct materials and labor to make a product, you know you must price it well above $5 just to cover production before even thinking about overhead.

FINANCIAL PROJECTIONS | WORKSHEET 4 OF 8

Direct Costs / Cost of Goods Sold

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Business name: Main Street Bakery Your name: Training example Date: Oct 2026

What this is

What each sale costs you to deliver. These are the costs that rise when sales rise: sell nothing and they're close to zero; sell twice as much and they roughly double.

Example

A $65 custom cake uses about $14 of ingredients and a $2 box, and the card processor keeps about 3% of the sale. Direct cost for one cake: roughly $18, leaving $47 toward rent, wages, and profit.

Tips

Ask: **does this cost go up if I sell one more?** Yes means it belongs here. No means it's an operating expense (Worksheet 5). A service business may skip most lines; tick "Does not apply."

What does it cost to produce or deliver each product/service?

Use the lines from Worksheet 3. "Cost of one" is your best total for a single unit, hour, or order.

How sure are you? Known: you have a quote, invoice, lease, price list, or signed agreement. **Estimate**: your best guess or something you looked up. **Need to research**: no idea yet. Leave the amount blank and we'll work on it together.

Selling Price		**$65**
Direct Costs		
Ingredients	$14	
Box	2	
Credit Card Cost	2	
Total Direct Costs		**$18**
Gross Margin		**$47**

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What does it cost to produce or deliver each product/service?

Use the lines from Worksheet 3. "Cost of one" is your best total for a single unit, hour, or order.

How sure are you? Known: you have a quote, invoice, lease, price list, or signed agreement. **Estimate**: your best guess or something you looked up. **Need to research**: no idea yet. Leave the amount blank and we'll work on it together.

Product/service (from Worksheet 3)	Price of one	Cost of one	What makes up that cost	How sure are you?
Counter avg visit	$6	$2.70	Ingredients + take-away packaging (30% of sales)	Estimate
Custom cake	$65	$18	Cake ingredients, box and decorations	Estimate
Wholesale order	$180	$63	Ingredients and packaging (35% of sales)	Estimate
Coffee/Beverages	$4	$.50	Ingrediants or wholesale purchase of product	Estimate
				Select...

Cost lines

Amount can be dollars per unit, a percent of the sale, or a monthly amount; just say which. Inventory here means stock you buy to resell as you go. Your opening stock belongs in Worksheet 6.

Cost line	Does not apply	Amount	Measured as ($/unit, % of sale, $/month)	Which product/service	Notes (supplier, quote, how you got it)	How sure are you?
Materials	☐	Included	$/sale	All three	Already in unit costs	Estimate
Inventory	☐	Included	$/sale	All three	Stock replenishment in unit costs	Estimate
Direct labor	☑				Owner makes products; wages for counter em	Select...

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OPERATING COSTS: *WHAT DOES IT COST TO KEEP THE DOORS OPEN*



FINANCIAL PROJECTIONS | WORKSHEET 5 OF 8

Operating Expenses

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Business name: Main Street Bakery Your name: Training example Date: Oct 2026

What this is

What it costs to keep the doors open whether or not you sell anything this month: rent, insurance, software, marketing. These tend to stay about the same from month to month.

Example

A home-based bookkeeper might list software $85/month, insurance $600/year, marketing $150/month, and professional fees $1,200/year, and tick "Does not apply" for rent, utilities, and repairs.

Tips

Write the amount and how often you pay it; don't convert yearly bills to monthly yourself. Staff wages go in Worksheet 7. If a quote already includes tax (property tax in rent, for example), say so in Notes.

Your operating expenses

How sure are you? Known: you have a quote, invoice, lease, price list, or signed agreement. **Estimate**: your best guess or something you looked up. **Need to research**: no idea yet. Leave the amount blank and we'll work on it together.



KEY TAKEAWAY

These expenses generally continue even if the bakery has a slow month

Your operating expenses

How sure are you? Known: you have a quote, invoice, lease, price list, or signed agreement. **Estimate**: your best guess or something you looked up. **Need to research**: no idea yet. Leave the amount blank and we'll work on it together.

Expense	Does not apply	Amount	How often (monthly, quarterly, yearly)	Starts (month/year)	Notes (who you'll pay, quote, what's included)	How sure are you?
Rent	☐	$1900	monthly	Apr 2027	Proposed lease; CAM to verify	Estimate
Utilities	☐	$450	monthly	Apr 2027	Energy + water estimate	Estimate
Insurance	☐	$180	monthly	Apr 2027	Business + property coverage	Estimate
Marketing	☐	$250	monthly	Apr 2027	Local ads and promotions	Estimate
Payroll (wages go in Worksheet 7)	☑					Select...
Software	☐	$120	monthly	Apr 2027	POS, bookkeeping, website tools	Estimate
Vehicle/travel	☑					Select...
Professional fees	☐	$150	monthly	Apr 2027	Accounting and professional help	Estimate
Repairs/maintenance	☐	$200	monthly	Apr 2027	Equipment repairs reserve	Estimate
Office/admin expenses	☐	$100	monthly	Apr 2027	Admin consumables	Estimate
Any other recurring monthly or annual costs	☐	$140	monthly	Apr 2027	Waste, cleaning and misc	Estimate
	☐					Select...

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DIRECT OR OPERATING?

How would you classify:

- the paper box for a custom cake?
  - Direct Costs
- Sprinkles, Salt, and Yeast for baking?
  - Operating
  - Why!!!!
- Discuss materiality



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MATERIALITY

- **The Reality:** Technically, the salt, vanilla extract, yeast, and rainbow sprinkles used on a cupcake are **direct costs** because they physically end up in the final product.
- **The Materiality Twist:** To be 100% accurate, a baker would have to measure fractions of a penny worth of sprinkles for every individual cupcake. Tracking this is a waste of valuable time.



Key Takeaway:

Because the cost is immaterial, the bakery treats these tiny ingredients as general kitchen/operating supplies rather than trying to perfectly trace them to individual unit costs.

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STARTUP AND STAFFING



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STARTUP COSTS

- **Start-up costs** are the one-time expenses a business incurs to get up and running before it opens its doors and brings in its first dollar of revenue.
- Think of them as the "launch costs" required to transition a business from an idea into an active operation.



Key Takeaway:

If you have to pay for it before you officially open for business, it is a start-up cost.

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FINANCIAL PROJECTIONS | WORKSHEET 6 OF 8

Startup Costs

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Business name Main Street Bakery **Your name** Training example **Date** Oct 2026

What this is

What you have to buy or pay for before you open (or before a big expansion). Some are things you'll use for years, like equipment. Some are used up, like permits and grand-opening ads.

Example

A food truck: truck and build-out $68,000 (lasts about 7 years), opening food stock $2,500, licenses and permits $1,200, logo and website $1,800, commissary deposit $500.

Tips

For anything large, note roughly how many years it will last; that spreads its cost over its life. Not sure about working capital? Leave it blank; the projection can calculate the cash you need while sales build.

Your startup costs

How sure are you? Known: you have a quote, invoice, lease, price list, or signed agreement. **Estimate**: your best guess or something you looked up. **Need to research**: no idea yet. Leave the amount blank and we'll work on it together.

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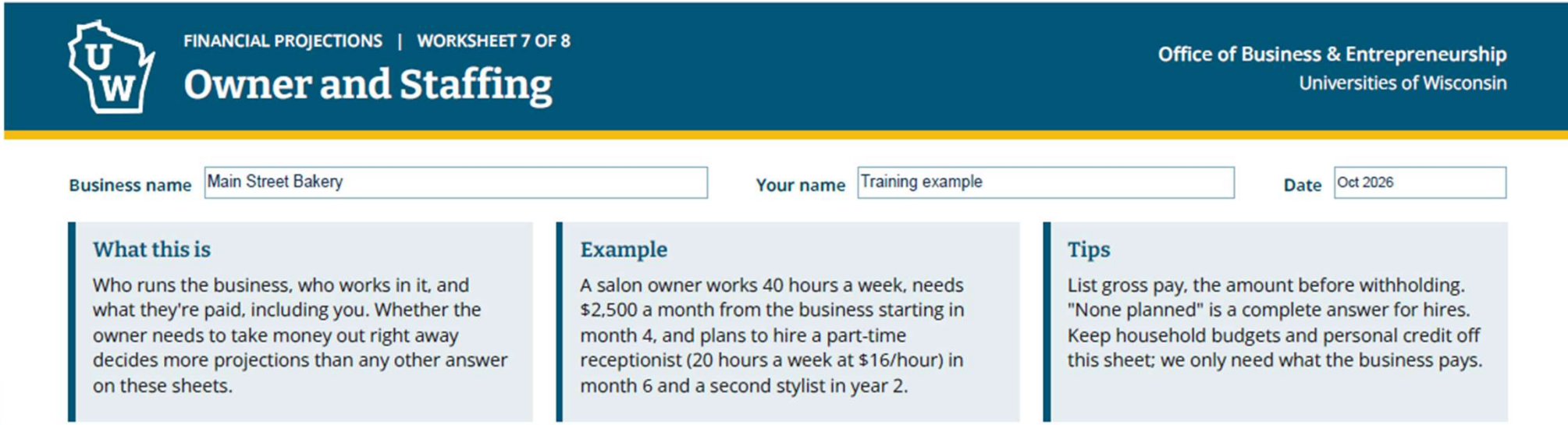
Your startup costs

How sure are you? Known: you have a quote, invoice, lease, price list, or signed agreement. **Estimate**: your best guess or something you looked up. **Need to research**: no idea yet. Leave the amount blank and we'll work on it together.

Item	Does not apply	Cost	Month paid	Lasts how many years? (large items)	What it is / where the figure came from	How sure are you?
Equipment	☐	$27,000	Mar 2027	7	Ovens, mixer, refrigerators	Estimate
Furniture	☐	$5,000	Mar 2027	7	Cases, shelving, tables	Estimate
Inventory	☐	$2,500	Mar 2027		Opening ingredients and packaging	Estimate
Leasehold improvements	☐	$20,000	Mar 2027	10	Plumbing, wiring, food-safe fit-out	Estimate
Deposits	☐	$4,000	Feb 2027		Lease/security and utility deposits	Estimate
Licenses/permits	☐	$1,200	Mar 2027		Licenses and permits	Estimate
Website/branding	☐	$1,500	Feb 2027		Website, identity, signage	Estimate
Legal/accounting	☐	$1,800	Feb 2027		Entity + professional setup	Estimate
Pre-opening marketing	☐	$1,200	Mar 2027		Pre-opening ads	Estimate
Working capital needed before sales stabilize	☐	$18,000	Mar 2027		Initial liquidity reserve; not an expense	Estimate

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OWNER COMPENSATION, STAFFING



FINANCIAL PROJECTIONS | WORKSHEET 7 OF 8

Owner and Staffing

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Business name: Main Street Bakery

Your name: Training example

Date: Oct 2026

What this is

Who runs the business, who works in it, and what they're paid, including you. Whether the owner needs to take money out right away decides more projections than any other answer on these sheets.

Example

A salon owner works 40 hours a week, needs $2,500 a month from the business starting in month 4, and plans to hire a part-time receptionist (20 hours a week at $16/hour) in month 6 and a second stylist in year 2.

Tips

List gross pay, the amount before withholding. "None planned" is a complete answer for hires. Keep household budgets and personal credit off this sheet; we only need what the business pays.

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OWNER COMPENSATION, STAFFING

The owner(s)

Who owns the business? (names and share each)	Alex Morgan, 100% owner (fictional).
Will the owner work in the business? Doing what, and how many hours a week?	Owner-baker and manager, 50 hrs/week; production and ordering.
Will the owner need to take money out of the business immediately? How much a month, and from when?	No draws built into the projections. Owner will determine draws on an as-needed and as-available basis.
Does that amount already include setting money aside for your taxes?	No; income tax set-aside must be modeled separately.
Service businesses: how many hours a month can you actually bill?	Not primarily billable; bakery limited by oven and staffing.
How is (or will) the business be set up?	



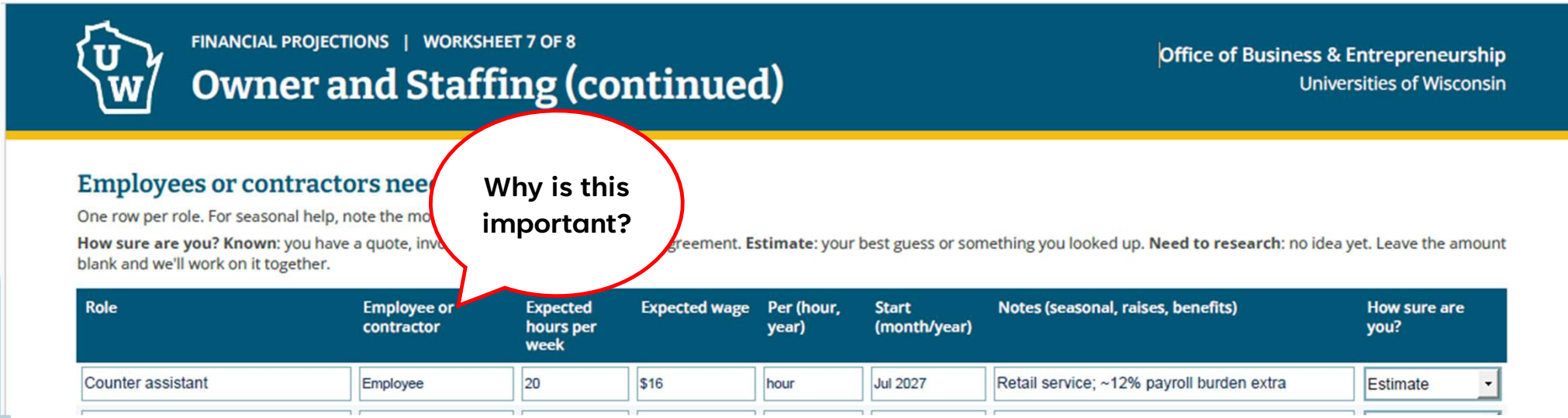
Key Takeaway:

It is unlikely that an owner will take out any money at the very start of the business

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OWNER COMPENSATION, STAFFING



FINANCIAL PROJECTIONS | WORKSHEET 7 OF 8

Owner and Staffing (continued)

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Employees or contractors nee

One row per role. For seasonal help, note the mo

How sure are you? Known: you have a quote, inv greement. **Estimate**: your best guess or something you looked up. **Need to research**: no idea yet. Leave the amount blank and we'll work on it together.

Why is this important?

Role	Employee or contractor	Expected hours per week	Expected wage	Per (hour, year)	Start (month/year)	Notes (seasonal, raises, benefits)	How sure are you?
Counter assistant	Employee	20	$16	hour	Jul 2027	Retail service; ~12% payroll burden extra	Estimate

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OWNER COMPENSATION, STAFFING

No employees or contractors planned	☐ None planned
Do the wages above already include employer payroll taxes?	☐ Yes ☑ No ☐ Not sure

Looking ahead

Planned hires or raises in years 2 and 3 (role, hours, pay, when)	Potential additional baker in year 2 if demand supports hiring.
Any planned change to how the business is set up or taxed, and when?	No planned entity/tax election changes.
Nothing planned for years 2 and 3	☐ None planned



Key Takeaway:

Employer payroll taxes will as much as 10% on top of the hourly wage or salary paid

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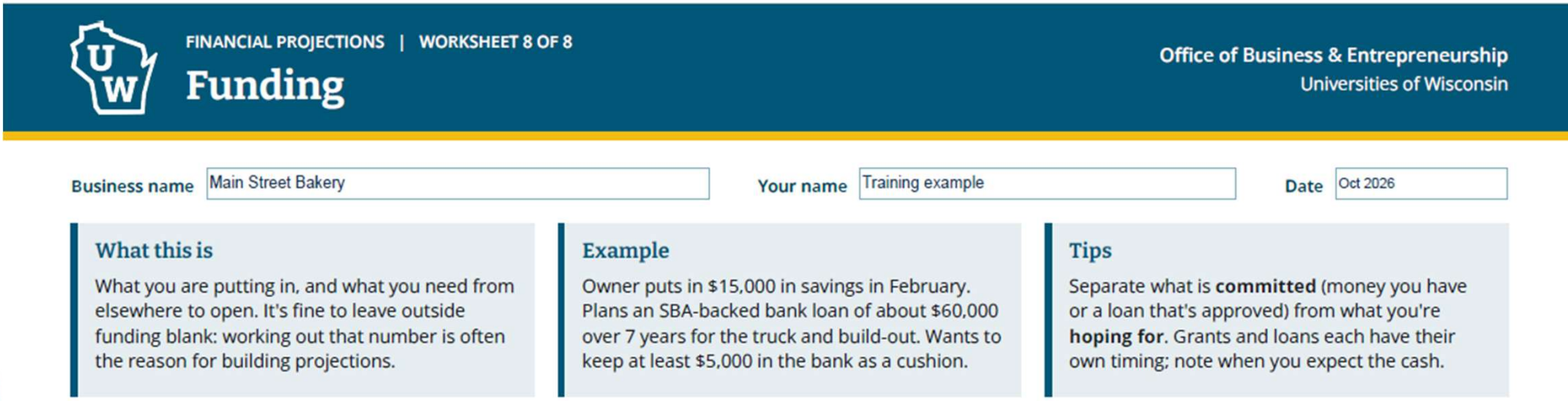
Office of
BUSINESS &
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FUNDING



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FUNDING



FINANCIAL PROJECTIONS | WORKSHEET 8 OF 8

Funding

Office of Business & Entrepreneurship
Universities of Wisconsin

Business name: Main Street Bakery

Your name: Training example

Date: Oct 2026

What this is

What you are putting in, and what you need from elsewhere to open. It's fine to leave outside funding blank: working out that number is often the reason for building projections.

Example

Owner puts in $15,000 in savings in February. Plans an SBA-backed bank loan of about $60,000 over 7 years for the truck and build-out. Wants to keep at least $5,000 in the bank as a cushion.

Tips

Separate what is **committed** (money you have or a loan that's approved) from what you're **hoping for**. Grants and loans each have their own timing; note when you expect the cash.

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FUNDING

Funding questions

How much money is the owner contributing?	$20,000 owner cash, planned for Feb 2027.
How much outside funding is needed?	$62,200 base gap; explore $65,000 loan request incl. buffer.
Loan, grant, investor, or combination?	☑ Loan ☐ Grant ☐ Investor ☐ Combination ☐ Not sure yet
What will the funds be used for?	Equipment, build-out, opening inventory, deposits and initial liquidity.
Any known loan terms? (amount, interest rate, years, fees, first payment date)	Illustration: $65,000 at 9% for 7 years; NOT offered or approved.
Smallest amount of cash you want to keep in the bank as a cushion	$5,000 minimum cash balance target.

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Demonstrating the AI Skill and examining projected results

Financial Projections | Live preview



Office of BUSINESS & ENTREPRENEURSHIP

DEMONSTRATING THE AI SKILL AND EXAMINING PROJECTED RESULTS

- You have all the information…. Now let's plug it into the skill
  - Upload PDFs
  - Copy & paste answers
  - Answer without PDFs



Key Takeaway:

Blank fillable PDFs + the example PDFs will be provided after the webinar along with this slide deck.

Contact our AI Clinic for assistance with using the AI Skill

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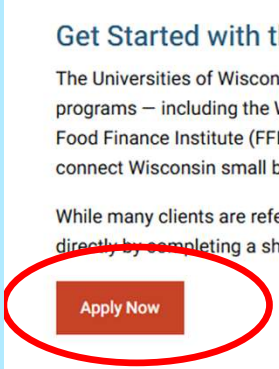


https://business.wisconsin.edu/initiatives/sbaic/

FOR IMMEDIATE FREE 1-ON-1 ASSISTANCE:

Jacques Tulowitzky
Groundwork Business Consulting
jacques.tulowitzky@groundworkbusiness.com

Google Meet video conferencing
Book a time



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LET'S PROCESS!!

There will also be time for questions while Claude is 'thinking'





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