



Two convenient locations

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CommunityWorksCarolina.org



Capital Readiness Checklist

An assessment tool for business service organizations

BUSINESS NAME

BUSINESS OWNER / APPLICANT

BUSINESS ADDRESS

INDUSTRY

BUSINESS AGE

LOAN AMOUNT SOUGHT

LENDING GOAL / OBJECTIVE

Using the Checklist

The Capital Readiness Checklist is an assessment tool for CommunityWorks to use to evaluate the small businesses we serve. It features a checklist of basic criteria that a small business typically needs to meet before a lender will consider lending to them.

After a business owner receives a copy of the checklist from CommunityWorks, the business owner can use it when interacting with our business coaches and lending staff. CommunityWorks will refer to the information the business owner has documented in the checklist to make recommendations and referrals regarding next steps for the small business.

The checklist is intended to help us prepare small business loan applicants and make stronger referrals to our community resource partners and to our Small Business Lending Department. The checklist is not intended to replace underwriting criteria of CommunityWorks.

Completion of this checklist does not guarantee that a business owner will receive a business loan. However, completion of the checklist will assist small business owners in assessing their own readiness to incur business debt and in strengthening components of their business plans.

Capital Readiness Checklist

STATUS ○

- I am requesting financing for a specific purpose.
- My business has recorded sales.
- I have an estimate of what it will cost to start (or expand) my business.
- I have experience in this industry or in running businesses.
- I invested my own money in this business.

Reviewer Recommendation / Referral

PERSONAL ○

- I know my credit score.
- I understand my credit history.
- I understand my personal assets and liabilities.
- My personal tax filings are up to date.
- I know my total monthly household income and expenses.
- I have filed for bankruptcy in the past 7 years.
- I own commercial or personal property or other collateral.
- I know my US citizenship or immigration status.
- I have an Individual Taxpayer Identification Number (ITIN).
- I have been convicted of a felony.
- I am obligated to pay garnishments, liens, child support, or alimony.
- I am current on payments for garnishments, liens, child support, or alimony.
- I am current on all federal debt including federal student loans.

Reviewer Recommendation / Referral

MARKETING OPERATIONS ○

- I have a written business plan.
- I know which of my products and services are the most profitable, and which are least.
- I understand my customer base and can describe my ideal customer.
- I have business insurance.
- I have a strategy or plan for marketing.
- I have workers' compensation insurance.

Reviewer Recommendation / Referral

INSTRUCTIONS FOR BUSINESS SERVICE ORGANIZATIONS

Check each box if the business owner agrees with the statement. For the Personal section, check the box that applies. For each section, fill out the Reviewer Recommendation / Referral box with next steps for the business owner.

The statements in bold are components of a complete and accurate business plan.

CASH FLOW ○

- I am able to pay my bills on time.
- I have a budget for how to use any loan I receive.
- My current cash flow will cover my loan repayments.

Reviewer Recommendation / Referral

ACCOUNTING & BOOKKEEPING ○

- I have accurate financial statements, such as a balance sheet and income statement.
- I have an accountant, CPA, or bookkeeper in place.
- I have an electronic accounting system in place such as QuickBooks
- I have a business bank account.
- I have a list of my business assets and liabilities.

Reviewer Recommendation / Referral

LEGAL ○

- I am a LLC, LLP, L3C, Corporation, or other incorporated legal structure.
- I have access to my company's legal formation documents or operating agreements.
- I have a sales tax license.
- My business is in a regulated industry.
- I have the required licenses necessary to operate my business.
- I have access to legal assistance.
- I have an Employer Identification Number (EIN).

Reviewer Recommendation / Referral

TAXES ○

- I am current on my payroll taxes.
- I am current on my sales taxes.
- My current and prior year taxes are up to date.
- I know my tax liability.
- I am on a payment plan with the IRS.

Reviewer Recommendation / Referral

Capital Readiness Checklist

Glossary of Common Terms

STATUS

FINANCING are funds used for business activities, purchases or investments that are obtained using credit and must be repaid

INDUSTRY is a classification that refers to groups of companies that are related based on their primary business activities.

RECORDED SALE is documentation of business activities

PERSONAL

ALIMONY is payments that are legally required to be made from one ex-spouse to another after divorce

BANKRUPTCY is a legal tool that a person or business may use to forgive or restructure debt that they are unable to pay

COMMERCIAL PROPERTY is real estate that is used for business activities, such as stores, production facilities, and warehouses

CREDIT SCORE evaluates a person's creditworthiness based on credit history

GARNISHMENT is a legal process whereby payments towards a debt owed by an individual is paid by a third party directly to the creditor

HOUSEHOLD INCOME is the combined income of all household members

LIEN is a creditor's legal claim over a debtor's assets until a debt is repaid

PERSONAL ASSETS are cash and things that have monetary value; they are owned by a person and are not business assets

PERSONAL LIABILITIES are the responsibility of a person to pay a debt or other obligation, such as a home mortgage or personal vehicle loan

PERSONAL PROPERTY are possessions other than real estate

MARKETING & OPERATIONS

BUSINESS INSURANCE protects businesses from loss due to events that may occur in a normal course of business

BUSINESS PLAN is a written document that describes in detail how a business will achieve its goals

CUSTOMER BASE is a company's primary source of business and target market

DUNS NUMBER (Data Universal Numbering System) is a nine-digit number that uniquely identifies a business and is a method of credit reporting for the business

EIN (Employer Identification Number) is a unique identification number that is assigned to a business entity so that they can easily be identified by the Internal Revenue Service.

MARKETING PLAN is a for advertising campaigns designed to reach its target market

MARKETING STRATEGY is a plan for reaching people and turning them into customers for a product or service

PROFITABILITY is when a business' revenue is greater than expenses

WORKERS' COMPENSATION INSURANCE is a publicly-sponsored system that pays money to workers who become injured or disabled at work

CASH FLOW

LOAN is the giving of money, property or other material goods to another party in exchange for future repayment of the principal amount along with interest or other finance charges

ACCOUNTING & BOOKKEEPING

BALANCE SHEET is a snapshot of a company's financial position that includes assets, liabilities, and owners' equity

BOOKKEEPER / CPA (Certified Public Accountant) is a person who tracks a business' income and expenses; a CPA may also perform more complex accounting duties

BOOKKEEPING SYSTEM / ACCOUNTING SYSTEM is used by a business to collect, store, manage, process, retrieve, and record its financial data

BUDGET estimates revenue and expenses over a specified future time period

BUSINESS ASSETS are items owned by a company, such as vehicles, real estate, and computers

BUSINESS LIABILITIES are financial debts or obligations, such as money owed, mortgages, vehicle loans, and other debts in the business name

EQUITY is money provided to the business by or on behalf of the owner

EXPENSES are costs a business incurs through operations to earn revenue

FINANCIAL STATEMENTS are structured reports used to reflect a business' financial health that include income statements, balance sheets, and statements of retained earnings and cash flows

INCOME STATEMENT is a financial statement including income, revenue and expenses, that reports a business' financial performance over a specific accounting period

LEGAL

CORPORATION is a legal entity that is separate and distinct from its owners

INCORPORATED LEGAL STRUCTURE is a classification of businesses based on ownership and tax reporting that includes LLC, LLP, L3C, and corporations

LEGAL FORMATION DOCUMENT is the paperwork filed with the state and IRS when forming a business based on legal structure and provides legitimacy to the business

LLC (Limited Liability Company) is a corporate legal structure whereby the members of the company cannot be held personally liable for the company's debts or liabilities

LLP (Limited Liability Partnership) is a corporate legal structure whereby the members of the company cannot be held personally liable, must have more than one partner, and has specific tax implications

L3C (Low Profit Limited Liability Company) is a for-profit, social enterprise venture that has a stated goal of performing a socially beneficial purpose, not maximizing income

OPERATING AGREEMENTS are a business contract that describe the operations of a company and the responsibility of the people associated with it

REGULATED INDUSTRY is a type of industry controlled by government rules

TAXES

PAYMENT PLAN is a plan for paying outstanding debts, include taxes owed

PAYROLL TAXES is a tax that an employer withholds and pays on behalf of his employees

SALES TAX LICENSE is a document obtained by the state of Michigan that sellers of tangible goods must obtain

TAX FILINGS are a collection of forms used to record income and expenses annually in order to submit to government agencies

TAX LIABILITY is the amount of taxation that a business or an individual incurs based on current tax laws

About the Authors

The Neighborhood Business Initiative’s Gaps Committee worked with Michigan Community Resources to create this guide with support from the New Economy Initiative.

The NBI Gaps Committee was formed by the New Economy Initiative to focus on gaps in Detroit’s entrepreneurial ecosystem. Committee members represent a variety of business service organizations supporting neighborhood based entrepreneurs in Detroit. The committee united around a vision, which guides its work: “Everyone who is interested in a loan understands what it takes to get funding and how to get there. Lenders treat all potential borrowers fairly and equitably.”

Michigan Community Resources is a statewide non-profit organization that seeks to build strong communities through strong organizations, strong leaders, and a strong non-profit network. Since 1998, Michigan Community Resources has equipped non-profit organizations serving low-income communities with the tools, resources, training, and consulting they need to do their best work.

The New Economy Initiative, a special project of the **Community Foundation for Southeast Michigan**, is a philanthropy led entrepreneurial development strategy working to build an inclusive network of support for entrepreneurs and small businesses in southeast Michigan.

Adapted from:

**Neighborhood
Business Initiative**

Produced by:



**Neighborhood
Business Initiative**

**MICHIGAN
COMMUNITY
RESOURCES**