



ACCESS TO CAPITAL:

Bridging The Gap

VIRTUAL EVENT

Q&A: HOW TO CREATE A CAPITAL STRATEGY

PRESENTER

Andrew Walcott, Owner & Operator, Fusion East

Q: Some of the mystery of running a business is understanding the language of finance. How can a business owner begin to understand the language of finance.

A: One of the most important things is to understand the terms of a loan. Don't use your own money when other people's money is cheap (fees and interest rates are low). This is what big business and corporations do.

Q: I work at the Brooklyn Chamber, and have had some clients who have been determined as unbankable, for any number of reasons. They are existing businesses, one is 20 years old, kept getting rejected from loan applications/lenders, denied due to being "unbankable". What advice would you give to them?

A: Try lenders other than big banks, CDFIs can be a good option

- Banks underwent a stringent process, making it that if you owe money to other banks, or closed a bad loan, it's really hard for you to open an account with any bank; that could be part of the reason, and if it is, go back to the bank and explain your situation. Sometimes demonstrating that you understand the situation will help you look better.
- Don't rule out credit unions as a way to establish relationships; form a relationship with an accountant to get professional advice to help make them bankable, or get equity investors or grants; understand why they are unbankable and work backward to fix the issue.

Q: What are the average fees for a good accountant?

A: It depends - couple hundred in monthly fees to begin with, as your business grows expect to spend more. I wouldn't spend more than a hundred dollars to have the monthly education on what your financials mean.

Q: When you started your business, Fusion East, how long did it take for you to recoup your initial investment and then become cash flow positive?

A: At the end of second year and have shown profit every year since. We are going into 6 years. As a new business, we were competing with regional and national franchises and we had a road infrastructure issue where people couldn't find us. We were able through

connections with the Chamber to get the access road opened, which made a huge difference.

Q: Can you use your reaction with the thumbs up to show have you created a business plan, created a capital strategy? Response: 4 thumbs up.

How many would like to or feel you have a need? Response: More of you would like to.

A: Workforce One is a great referral service for the start up stage, also joining industry groups, networking and meeting as many people as you can, is so important. As your company grows, you will see you will spend more time overseeing managers to run your business so you can participate in forums like this; there are so many programs like CU Grow out of Columbia University, connect yourself with groups that can support your growth.

Q: You said that you had a 6 month emergency fund. What were some of the sacrifices and disciplines that got you to have that fund that helped you weather COVID?

A:

- I capped payroll to 25% a week and capped food cost to 25% per week, so that I can have the cash available if I didn't hit my targets. Staff get a bonus of a few hundred dollars if they hit those two key cost factors.
- I know my numbers before my accountant tells me.
- I try to keep my variable costs under control as much as possible
- On my expense side, we had to pivot. After COVID, dine in went from 80% down to 30%.
- I am trying to develop 4 different revenue streams moving forward - food truck to hospitals, police stations, and other centers that people were trying to avoid during COVID, and trying to do more catering.

Q: You have an advantage: you're an attorney and CPA. For the average small business owner, what are some of the low hanging fruits that a business owner without those backgrounds can do to access some of these skill sets?

A: I strongly recommend outsourcing a competent, trusted bookkeeper for payroll to get a structure in place for monthly financial statements. Do not rely only on a year end check-in with a pile of financial statements. That is not how to run your business effectively. When opportunities come along that ask you to show how your business has dropped, such as PPP, if you don't have those tax documents readily available, you're less likely to get funding.

Q: Did you do any additional marketing and outreach besides food trucks?

A: We won a grant of \$90,000 for Love Your Local. We spent \$20,000 on marketing ads and radio commercials in Brooklyn and Queens throughout COVID to advertise delivery and

catering. And we spent \$60,000 for the food truck that was retrofitted with equipment and compliant with NYC laws. You can have the best food, but if people don't know what you're doing it doesn't matter.

Comments in response to Andrew's food truck pivot

Shared by Carl Peters: The Port Authority is looking into how we can have food truck vendors on the JFK Redevelopment site so people (staff, construction workers, general population) don't have to go off campus for food. I'm not too sure how far we have gotten with this decision but will find out and get back. One of my primary roles is to inform my MWBEs about the opportunities.

Shared by Tanya Pope: A food truck operator at the Bronx Court House food truck was able to successfully pivot.

Shared by Dawn Kelly: I am a coach for NYC Small Business Solutions for PR and Marketing - there are a lot of free resources at NYC Small Business Solutions - take advantage of it all! Wish we had a Black Chamber of Commerce.

Shared by Jonathan Mar: Information on the Brooklyn Chamber's NYC Small Business Resource Network program is at
www.smallbiz.nyc
www.brooklynchamber.com

Q: How often do you revise your financial strategy?

A: Annually, based on the year's performance and how the company did the prior year, and what our future goals are. We found capital externally and generated internally. Have adequate capital at all times, as much as possible. Cheap capital over 20-30 years is okay. Cash is king, hold onto it and don't let it go.

Additional comments

Kafilatu Tihamiyu, Loan Officer, National Development Council shared: Plan 3 months in advance for when you're thinking about applying for capital; know your options for a term loan versus a line of credit.

Aisha Benson, EVP, TruFund: It is very critical to have enough capital and the right type. We often see a miss match in applications. Be sure you know how much capital you need because it can hurt your chances of success if you ask for less than you need.