Business Compliance

It’s important to have your business in compliance and good financial health when seeking government procurement.

- Separate Business Bank Account (No commingling funds)
- Business Licenses
- Business Taxes
- Business Financial Statements
Business Bank Account

Separate your business and personal expenses by maintaining (and using) separate bank and credit card accounts, keeping receipts separate, and paying yourself a draw directly from your business accounts versus using your business account to pay personal expenses.
Business Licenses

- Articles of Incorporation – Louisiana Secretary of State Office
- Occupational License – City of Shreveport

Both licenses requires an annual renewal.
Business Taxes

1. **Track Income/Expenses Accurately** – Make sure to deposit all business income in the business bank account. Make sure all business expenses are paid from the business bank account. It is very difficult to take any tax deductions if you don’t have a record of incurring those expenses. This means you must be very detailed with your business records, including saving receipts, keeping a travel log for mileage (Mile IQ), and tracking and categorizing expenses. Keep these records for 3 years.

2. **Claiming Business Losses Consecutively** - Investors and lenders look at your net income (gross income – expenses) to determine your level of risk.

3. **Pay Quarterly Taxes** - According to the IRS, individuals, including sole proprietors, partners, and S corporation shareholders, have to make *quarterly estimated tax payments* if they expect to owe taxes of $1,000 or more when their federal returns or state tax returns are filed.

   *Quarterly estimated tax payments for each respective quarter are due every April 15, June 15, September 15, and January 15 (of the following tax year).*

4. **File Your Taxes Timely** – April 15th deadline, October 15th extension deadline.
Financial Statements

Financial statements let a business owner know where their money is going. That includes:

1. Where it came from
2. Where it went
3. What their current financial standing is

Without understanding these statements, it's impossible for business owners to know if they are making money, if they have the funds to keep up with their business expenses, and to plan for any kind of future growth or opportunity.
Balance Sheet

Your financial balance sheet addresses such issues by providing detailed information about the company’s assets. The balance sheet also lists a company’s outstanding debt and equity components, and so debt and equity investors can understand how the business received their capital.

The amount of shareholders’ equity is a company’s total assets minus its total liabilities, representing the company’s net worth. A steady growth in a company’s shareholders’ equity by way of increasing retained earnings:

1. **Assets** – what you own
2. **Liabilities** – what you owe
3. **Shareholder equity** – ownership value (net worth)
Income Statement

The income statement informs the reader about the ability of a business to generate a profit. In addition, it reveals the volume of sales, and the nature of the various types of expenses, depending upon how expense information is aggregated. When reviewed over multiple time periods, the income statement can also be used to analyze trends in the results of company operations. The financial statement of income statement reports operating results such as sales, expenses and profits or losses.

- **Revenues** – total sales or income
- **Expenses** - all costs of doing business
- **Net income** – amount remaining after deducting all cost of doing business
How are financial statements used?

- **To prepare tax returns**
- **Credit decisions** - Lenders use the entire set of information in the financials to determine whether they should extend credit to a business or restrict the amount of credit already extended.
- **Investment decisions** - Investors use the information to decide whether to invest in a business.
- **To evaluate management decisions** – Can the business sustain on the current cash flow?
Your financial statements will provide you details on:

- How much money are you making as a business and how much it costs you to make that money
- Opportunities for cutting costs
- Identify customers that are paying late
- Financial irregularities
- How many days of runway you have left before you run out of cash
- How profitable you are