

SMALL BUSINESS NEWS



CENTER *for* RURAL AFFAIRS

Fall 2024



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Part 3 of a 3-part series.



Farm & Food Business Loans



Up to \$250,000

Our farm and food business loans are available to farmers, food business entrepreneurs, startups, retail businesses, and other food supply chain businesses.

The Center for Rural Affairs believes in building sustainable communities. To serve more diverse community members, we are often more flexible than traditional lenders.

Information and terms:

- Term: Up to 15 years, based on the use of funds and the borrower's needs
- Use of funds: Working capital, marketing expenses, bookkeeping, farm or business insurance, purchasing inventory, etc., equipment and infrastructure such as processing, storage, fencing, fixtures, buildings, irrigation, purchase an existing business, purchase of vehicles, business real estate or other long-term assets, gap financing to complement state or federal grant programs



For more information, visit cfra.org/food-and-farm-business-loans, or contact Meg Jackson at megj@cfra.org or 402.309.9096.



CENTER *for* RURAL AFFAIRS

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On the cover: Irma Lopez of Sabor Costeño in Fremont, Nebraska | Photo by Kylie Kai

Small Business News is available both in print and electronically.

The Center for Rural Affairs is an equal opportunity employer and provider.

End-of-year accounting tips for small business owners







By Adriana Dungan, owner of Cardinal Business Consulting and contractor with the Center for Rural Affairs. Jessie Eby contributed to this article.



Organizing all the necessary documents and pouring over a year's worth of bookkeeping data is a daunting task if it's something you've ignored throughout the year. Committing to keeping your finances organized in the coming year is one way to position your business for success. If you don't yet have a tax professional or bookkeeper to help you with your finances, now is a great time to consider hiring one. Not sure where to start? We have staff ready to help you take the first step, and our assistance is always free for Nebraska residents.

► Your year-end accounting to-do list

We know your year-end to-do list is already long, but there are a few things you'll want to take care of to make sure your financial records are accurate and up to date.

-  Check in with your tax professional: Schedule a meeting to review your finances and consider any last-minute tax-saving strategies, such as making deductible purchases or contributions.
-  Reconcile bank statements: Review all bank and credit card statements for the year to make sure your records agree with your bank's records.
-  Update financial statements: Update your balance sheet and income statement to reflect your business's financial performance and position for the year.
-  Review accounts receivable and accounts payable: Do you have any outstanding bills or overdue invoices? Now is the time to tie up any loose ends.
-  Take inventory: If you are a product-based business, you'll want to take inventory and update your records to reflect your current inventory.
-  1099 Reporting: Make sure you've collected W-9 forms from all eligible vendors and contractors and prepare to file 1099 forms with the IRS.

Business Resource

You could choose to view these year-end accounting tasks as a checklist, or you can choose to view them as an opportunity to set strategic goals and celebrate your victories—big and small. The Center for Rural Affairs is here to guide you as your business grows and changes.

Read more at cfra.org/end-of-year-accounting-tips. 📄

Food truck owner offers authentic Mexican fare

By Liz Stewart and Carlos Barcenas

For the past few summers, customers in Fremont, Nebraska, have been able to sample authentic coastal flavors from Guerrero, Mexico, without leaving town.

They have Irma Lopez's love of cooking and desire to share her passion to thank for that opportunity.

"Everything is published on social networks these days, and when I cooked a dish I would take a photo and share it," Irma said. "People would ask me, 'Did you make that to sell?' And my answer was, 'No, that's what I ate today,' and they would encourage me to sell my food."

Irma realized that if she made food to sell on the weekends she might be able to make a little extra money, and she was correct.

"I made some sales from my home and people kept asking for my food," she

said. "Since my dishes were selling well, I decided to open a small business."

Through an announcement in her church, Irma learned about a small business conference that she attended to learn more about starting her own operation. There, she met staff from the Center for Rural Affairs who gave her the information she needed to proceed with her plan.

Irma applied for a loan with the help of Center staff and received funding in April 2021. She used the money for startup expenses and raw materials for her food truck, Sabor Costeño, which opened the next month. Since then, Irma has kept her operation open during the summer months.

Luis Franco, senior loan specialist with the Center, has helped Irma with questions and business needs.



Irma applied for a loan through the Center and used the funding for startup expenses and raw materials for her food truck. | Photos by Kylie Kai



“Irma offers the community a great variety of dishes and efficient customer service,” said Luis. “Her willingness to learn and improve their offerings will take Sabor Costeño to the next level.”

She also attended several virtual classes hosted by the Center including accounting workshops, classes on how to grow her business, and more.

Irma offers a variety of dishes prepared by her and one other full-time employee. Irma says she provides more than people might expect from a typical food truck.

“I don’t just sell tacos and burritos,” she said. “I have a large menu, and the food is very good, and it’s fast. People tell us that they come here because it is fast, and we try to do our best to satisfy each client.”

Although Irma has been very happy with how her business has progressed, she’s faced some hurdles. In October 2022, she was forced to change the location of her truck, where she had

already established her business. Irma had to look for another place with only a few months left in her open season and found a spot on the other side of the street from where she was originally. However, that location was more expensive than she could afford long-term, so before the next season Irma had to find yet another place to park her food truck.

Irma still enjoys being a business owner, and she hopes to open her own storefront restaurant eventually. And, since her experience working with the Center has been so beneficial, Irma recommends the organization as a great resource for new business owners.

“I have never worked with a center like this, and they helped a lot,” she said. “There are many people who really want to do something and they do not have instructions or cannot find resources because of the language barrier. The Center gives you the information that you need in Spanish, and they are very accessible and work with your schedule.” 📍

Benefits of buying a business

By Odee Ingersol, Nebraska Business Development Center

Buying an established business allows you to jump directly into the work of running the business, shortcutting many of the steps required to build the business. When you buy a business, you're also acquiring an established customer base, existing operational processes and systems, branding, and word-of-mouth advertising. The business is likely already making money, so you have the potential for immediate cash flow.

The startup risks are drastically lower than for someone starting from scratch because you get to skip the riskiest period: the beginning. The business has already been built and is already functioning. Additionally, you have the advantage of studying the business's performance history. You can look back at the data and view the successes and challenges, and since you're likely less emotionally invested than the founder, you can objectively evaluate them.



Finding a business to purchase

The first step toward buying a business is deciding which type of business to purchase. If there is an industry you are familiar with or have a passion for, you should allow that to guide your search. Prior experience within the industry isn't mandatory, but it will greatly increase your odds of success.

There are a few ways to find a business to purchase. We recommend starting with your personal contacts. Do you know a business owner who might consider selling? Perhaps they're nearing retirement age and have begun to entertain the idea of moving on from their

business, but they haven't formally begun the process of selling. You could also talk with accountants, attorneys, or lenders. They'll check with their clients privately and may get back to you if there is interest. Your community's Chamber of Commerce professionals may know about possible sellers. If you're unable to find a seller through your personal connections, you could look at online listing sites like BizBuySell.com or broker sites.



Seek professional guidance

A transaction as large as a business purchase requires a team of professionals to ensure that everything is above board. First, you'll want to find a business broker who can help you identify potential sales and guide you through the purchasing process. You'll also need to get your lawyer and accountant involved. These three professionals will serve as your advisers as you move through the transaction process.



Negotiating the deal

After you've found the business you wish to purchase, you'll work to negotiate a deal that is agreeable to you and the seller. Broker listings are often above fair market value. If the buyer has been planning to sell the business, they've likely already had a business valuation. Eighty percent of sellers over-value their businesses, so it's important that you also get a valuation.

Each business sale is unique to the buyer and seller, and there may be specific terms and conditions. A successful negotiation will include all of the things the business will require to be successful. This includes key employees and brands. It's also smart to have a non-compete agreement in place.

Learn more

This is part 3 of a 3-part series.
Catch up at cfra.org/blog.



Considerations to make before buying

The best thing you can do to ensure your success is to thoroughly research the business you plan to buy. Look for a solid history of success and upward-trending revenue and profits. As tempting as a Cinderella story may be, it's risky to buy a turn-around project if you don't have a history of turning businesses around.

Research the industry: It's important to perform a thorough industry and market analysis. Have you examined the market trends and growth potential? Who are the business's competitors? A solid overview of the industry will help you move forward with confidence.

Financial and legal due diligence: Before deciding to purchase a business, you'll want to get a good grasp of its financial status. Pay close attention to annual profits, and keep in mind that you'll need to account for salaries, benefits, principal, and interest. Reviewing financial statements and evaluating profitability and potential risks will paint a fairly clear picture of what kind of financial responsibility you may be taking on. If the business's financial health isn't optimal, do you have the resources to turn it around? Are you willing to take on the risk?

It's also important to review any existing contracts and agreements the business has and consider whether you're willing and able to uphold them, as they will become your responsibility as the new business owner. Be sure to have your lawyer look through all legal documents, contracts, and agreements to identify potential legal issues.

Assess day to day operations: Often, existing staff and management come with the purchase of a business. Before taking the plunge, it's a good idea to talk with the staff and get a feel for workplace culture. As an outsider,

you can look at business processes and staff objectively. Are the current processes working? Is the business staffed sufficiently?

An experienced staff can make a business transition nearly seamless, keeping operations steady and assuring loyal customers that the service they've become accustomed to won't be interrupted. Long-time employees may have reservations about reporting to a new owner and there may be fears about their job security under new ownership. These are all things to be aware of as you're interacting with the staff. Remember, great employees can make or break a business, so it's important to have a strong team on your side.



Financing options to consider

At the lowest level, buyers must be able to contribute about 20% cash equity to the deal and finance about 80% if they're working through the Small Business Administration, or 40% to 60% if they're using a traditional bank loan. A successful buyer will have a FICO score of 650 or higher, no felonies or serious misdemeanors, and no bankruptcies. The same must be true for all partners or investors of 20% or more of the purchase.

Are you ready to buy a business? Contact us at loans@cfra.org to see how we can help you with the process. 📞



Our loan products

Apply at cfra.org/loans



Small Business Loan

Up to \$250,000 for working capital, equipment, inventory, and real estate.



Express Loan

For borrowers with credit needs less than \$20,000. Fewer documents and faster decision.



Housing Loan

Mortgage loans between \$5,000 and \$100,000 for purchase of home, owner-occupied rehabilitation or renovation, or emergency repair to a property.



Meat & Poultry Processing Loans

Loans between \$50,000 and \$5 million for expansion of existing business, start-up of new business, real estate purchase, facilities update or expansion, equipment purchase, energy efficiency upgrades purchase of an existing business, or working capital.



Food & Farm Business Loans

Up to \$250,000 for working capital, marketing expenses, bookkeeping, farm or business insurance, purchasing inventory, etc.; equipment and infrastructure such as processing, storage, fencing, buildings; purchase an existing business; purchase of vehicles, business real estate, or other long-term assets; or gap financing to complement state or federal grant programs.

Business development services

Business counseling

Business development specialists are available for free consultations on business troubleshooting, cash flow and budget, loan packaging, and more.

Loan specialists

We have a statewide network of loan specialists ready and willing to help you along your small business journey. Find your specialist on pages 10 and 11.

Events and networking

We host various workshops and networking opportunities focused on small businesses. To stay up to date, visit cfra.org/events.



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Business spotlight Oakland Express



Business Spotlight

Owner: Michelle and Scott Herbolsheimer

Opened: 2019

Location: Oakland, Nebraska

Industry: Gas station and food services

Type of assistance: Business loan and one-on-one assistance

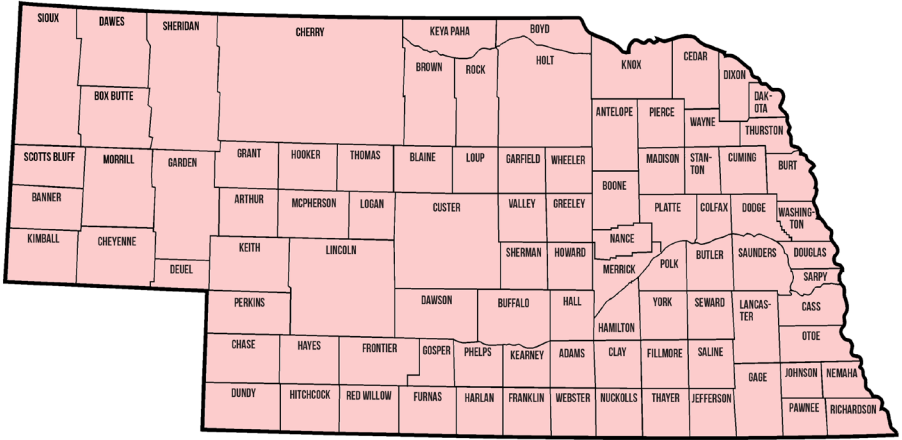
About the business: Oakland Express offers typical convenience store items including snacks, fountain drinks, bottled soft drinks, juices, water, and alcohol, as well as fuel. They also sell grocery items including produce, dairy, and deli. Hot, homemade meals for customers are also available thanks to a hot table and warmers purchased with loan money from the Center.

“ There was the need to offer meals for the men and women who work in town. At Oakland Express they can grab a three-course meal quickly, have the option of taking lunch back to their office with them, or sit down in our dining room and take a break here. ”

“ I love being people's first stop in the morning for coffee, their lunch connection, their last stop before reaching home. I love having a sense of family here at work; a group of people who have been brought together by a desire to make the day a little brighter for everyone they come in contact with. ”

-Michelle Herbolscheimer

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Questions and loan application process



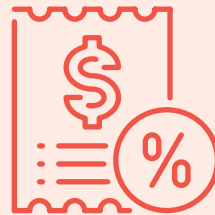
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Service Map