

The Resilience Recipe: Funding Options for Restaurant Success

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- **Certified business and credit advisor** through the Association of Accredited Small Business Consultants™
- **Launched and managed a seven-figure company** in live music and production
- Senior Manager of Business Advising at Accion Opportunity Fund
- Guidance on financial positioning, cash-flow analysis, and credit/financing strategy

Discussion Points

Macro-Economic Overview

What's happening in the broader economy & capital access for small businesses.

Capacity Building and Cash Flow Management

How to transition into a sustainable and resilient business, poised for long-term growth.

Debt Financing for Small Businesses

How does debt financing work, how much does it cost, and how to find the right source of funding.

Prepare to Access Capital

The process to apply for funding and how to best be prepared.



Macro- Economic Overview

What's happening out there?



Inflationary Pressures

Core CPI is up 3% over the last 12 months, with food prices ticking slightly higher at 3.2% (US Bureau of Labor Statistics).

Due to a combination of factors including an increased money supply during the pandemic, residual supply-chain disruptions, and tariff policies.

Lower Consumer Sentiment

Consumer spending has decreased by 30% year over year and is expected to drop further, according to the University of Michigan.

Strong Foundation

Labor market remains strong with <4% unemployment, consumer spending is still above threshold, increased business investments, and borrowing is starting to become less expensive.



Financial Landscape for Small Businesses

Businesses only receive half of the loan amount they request, on average.

Most lenders cap funding at 20-25% of last year's revenue, even with strong credit.

The average SBA loan size in 2024 was ~\$450,000.

(Financing Small Business: Landscape and Policy Recommendations – US Dept of the Treasury)



Increased Credit Tightening

Banks are:

... becoming increasingly risk averse

... lowering approval rates amid economic uncertainty

High Interest Rates & Fees

Short-term rates remain high, though slowly lowering

Rising lender costs are continue to push fees higher for borrowers

Increased Demand

New business formation up 50% over last 5 years

Fintechs, CDFIs, and online lenders are rising in popularity

Borrowers face growing confusion about financing options

Financial Fitness Matters

Financially organized, literate businesses are for more likely to secure funding



What are restaurant owners saying?

Survey Results

The top three reasons why restaurants are seeking capital are:

1. Managing cash flow
2. Purchasing equipment
3. Debt consolidation

The top three loan products that have been used to finance the business are:

1. Credit cards
2. Bank loan
3. Personal savings

High interest rates are the top challenge when applying for a loan, followed by **insufficient revenue**.



Understanding Debt Financing

STARTUP BUSINESSES

0 to 1 year in business

Typically funded by the entrepreneur & friends and family.



GROWING BUSINESSES

1 to 2 years in business

Typically funded by CDFI's.



ESTABLISHED BUSINESSES

2 years + in business

Typically funded by banks.





It's all about risk management!



How much does capital cost?

Example: **Loan Amount: \$100,000 loan**
Interest Rate: 9%
Term: 3 years
Origination Fees: \$5,000

APR is 12.37% and the total amount of interest paid on this loan will be \$20,202.99.





7 WARNING SIGNS of POSSIBLE PREDATORY LENDING

1 UNCLEAR PRICING AND TERMS



2 AGGRESSIVE OR ABUSIVE BROKER PRACTICES



3 PRE-PAYMENT PENALTIES



4 APPROVAL IS TOO EASY



5 ABNORMAL PAYMENT STRUCTURES



6 SHORT TERM LOANS



7 NOT WILLING TO ANSWER QUESTIONS



AOF Working Capital Loan

To apply, visit:

aofund.org/NRA/webinar_1

Working Capital Loan:

Loan amounts	\$5,000-\$350,000
Term	1 - 5 years
APR	10.49% - 28.99%
Pre-payment Penalty	None!
Requirements	1 year in business Valid government ID or ITIN \$100k+ in annual revenue Personal & business tax returns 620+ credit score Bank statements or plaid integration

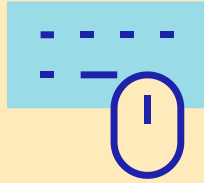
AOF does not lend in MT, ND, SD, TN, VT, D.C., and outside the US.



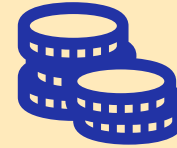
AOF Client - Kei Okumura - Sugar Bird Sweets and Teas



AOF Programs and Resources



Learn with AOF



Small Business Loans



1:1 Business Advising



Educational Programs



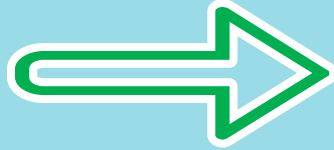
**Educational Webinars
and Events**



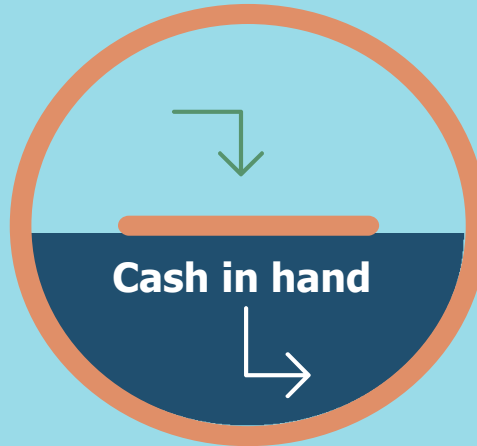
Building Capacity & Cash Flow

Cash inflow

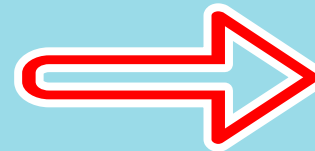
(Cash from sales, loans, investments)



How can I bring
in more cash?



How can I retain cash?



Cash outflow

(Cost of production, overhead,
loan/interest payments,
distributions)



Financial Planning: How to Retain Cash?

Budgeting & Forecasting

Set a 1-3 year budget and cash flow plan.

Set clear, realistic goals.

Focus on incrementally building your cash reserve.

Make sure your reserves keep pace with inflation.

Apply Key Assumptions

Identify key factors that may impact your financials each year.

Consider seasonality, pricing shifts, competition, and local governance.

Model worst case scenarios and estimate cash needed to withstand them.

Understand Working Capital Needs

Identify forecasted gaps that working capital can cover.

Use working capital to fuel growth – not emergency survival.

Consider how every dollar borrowed can drive \$2+ in revenue.



Resilience Planning: How to Increase Cash?

Optimize Your Cost Structure

Refinance high-interest debt like MCAs and credit cards.

Cut overhead during slow periods.

Negotiate with landlords, vendors, and suppliers; use payment plans to spread out costs.

Prioritize high-margin menu items over top sellers.

Reduce waste and optimize your ingredient use for more dishes.

Diversify Revenue for Stability

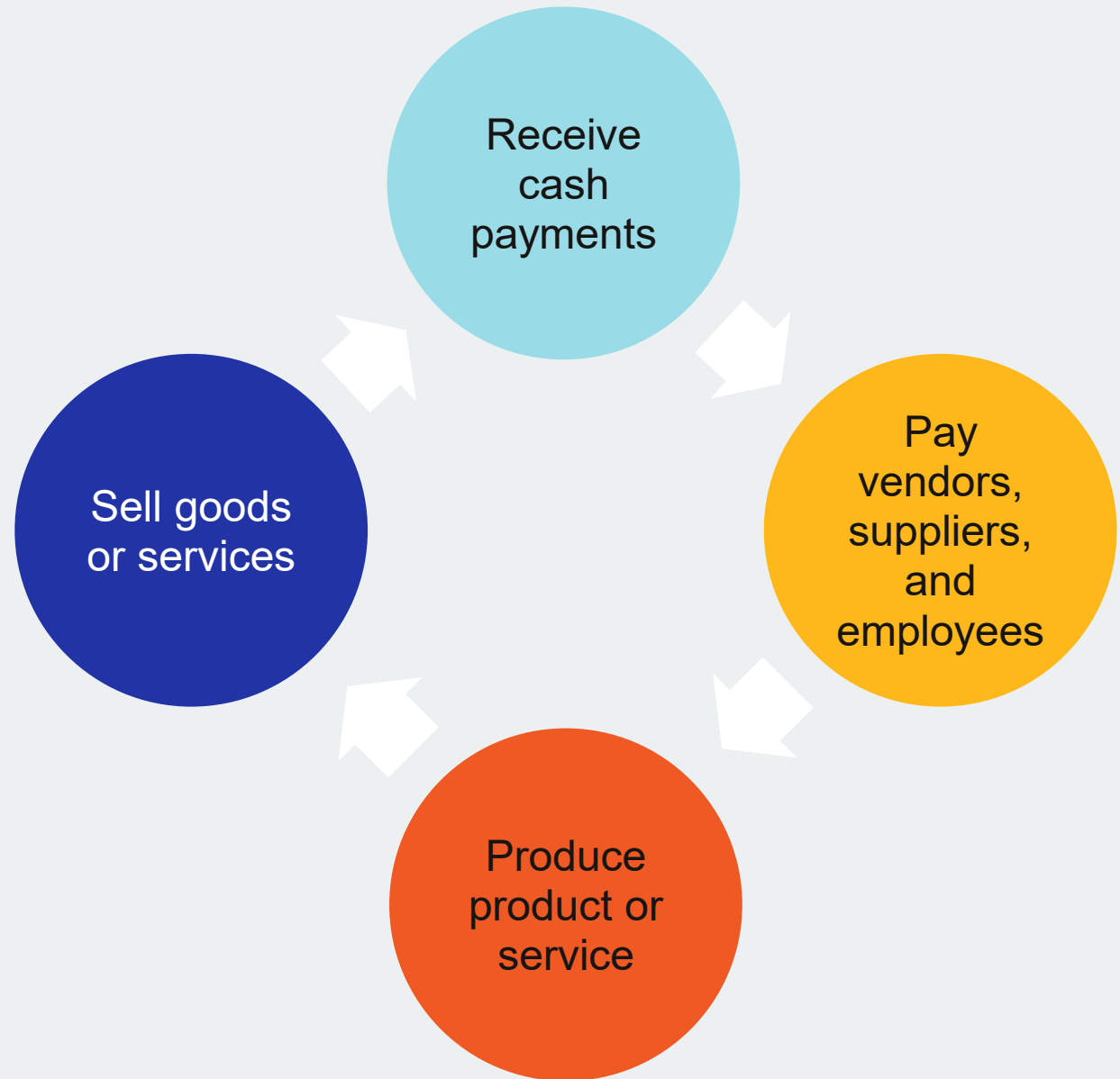
Explore delivery, retail, caterine, subscriptions, and merchandise to offset dips in cash flow.

Build customer loyalty to maintain a strong mix of new and repeat customers.



The Cash Flow Cycle

Create a healthy cash flow cycle that eliminates disruptions and builds value over time.



Applying for Funding

Prepare to Apply for Funding: 6-Step Process

01

Get Organized!

02

**Address any credit
issues**

03

**Determine how
you will deploy
cash**

04

**Get the necessary
documentation
beforehand**

05

**Do your research
and find the right
lender**

06

**Follow the plan,
rinse and repeat**



Documentation Standards

- **Tax Returns**

- Personal (1040, Schedule C)
- Business (1065, 1120, 1120-S)
- Year to Date Financials

- **Balance Sheet**

- Profit and Loss Statement
- 3-6 Months of Bank Statements

- **Accounts Receivable / Payable**

- Invoices and Billing Statements

- **Collateral**

- Ownership Confirmatio

- **Formation Documents**

- Articles of Incorporation
- EIN
- Proof of Ownership

- **Personal Financial Statement**

- Assets vs Liabilities

- **Valid Identification**

- Drivers License
- Passport



Best Practices

1. **Optimize your financial position.** If you're not finding acceptable terms, take the time to understand why and address the issues.
2. **Don't just look at interest rates.** Understand how all the terms of the loan work together and the bottom-line impact to your financials.
3. **Consider opportunity cost in decision making.** For example, is funding with personal savings always the better option than a loan?
4. **Borrow for growth, not for survival.** Debt is a wealth-building instrument and should only be leveraged for growing or expanding your business, not just staying afloat.
5. **Never take out a loan you don't fully understand.** If it sounds confusing or overly-complex, walk away.



Q&A