



Building Success. Together.

# The Importance of Cash Flow

Presented by: Christie Drexler, Drexler Consulting, LLC

## Agenda

- Why Cash is King in Banking
- Underwriting Capacity: Identifying, Analyzing, and Protecting Your Key Repayment Sources
- Individual and Business Sources of Cash Flow
- Cash Flow Analysis Methods
  - Traditional DSC, DTI and GDSC
  - Uniform Cash Analysis (UCA)
  - Application

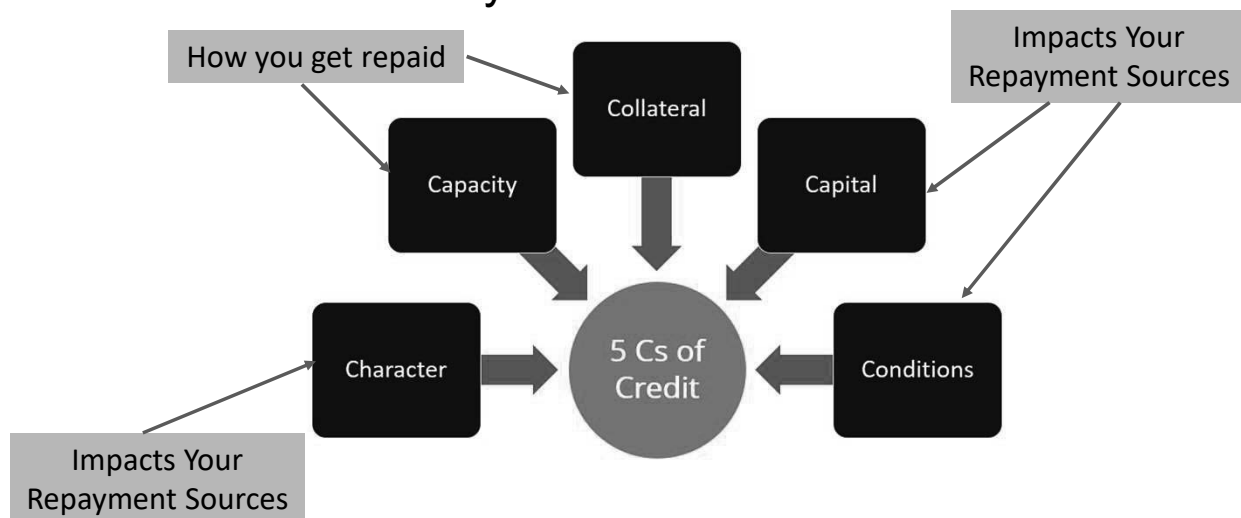
**82% of Businesses Fail Due to  
Mismanaged Cash Flow**

-- from a study by U.S. Bank

# What repays all loans?



## 5 C's of Credit Analysis



## Capacity

Capacity is ability to repay debt. Includes the following sources of cash for repayment:

- Future business and personal cash flow available for debt repayment
- Available business and personal liquidity
- Other business and personal assets that could be converted to cash. This is sometimes referred to as “flexibility.”
- Outside source not obligated to the loan
- Plus one more . . .

## Sources of Repayment

- Having more viable sources of repayment strengthens the loan request.
- With a couple of exceptions, you always want to identify at least 2 sources of repayment (primary and back up source(s)).
- What are the exceptions?

## PSOR and SSOR

- Cash flow is usually the Primary Source of Repayment.
- Sale of Collateral is usually the Secondary Source of Repayment.
- Usually, but not always . . .

## Identifying and Protecting Repayment Sources

- Suppose you have a construction loan request for a Real Estate Holding Company (an LLC). You require the personal unlimited guaranties of the two individual owners of the LLC. You also require the unlimited guaranty of the operating company, with the same owners, that will rent 100% of the building your loan will fund.
- What are the potential sources of CASH FLOW available for loan repayment?

## Cash Flow Defined

- Cash flow is the movement of money in and out of an entity over time.
- Cash flow doesn't pay debt or pay the bills to keep the business operating. Cash does.
- Debt is repaid in the future, so cash flow should always be a future projection.

Where is cash found on a business' financial statements?

## Individual Sources of Cash Flow

- Salary and Wages
- Officer Compensation/Guaranteed Payments from Businesses
- Dividends/Withdrawal from Business
- Interest and Dividends from Other Sources
- Other Sources of Income

Is Net Profit from a business a source of individual cash flow?

## Documenting and Analyzing Individual Cash Flow Sources

- PFS
- Personal Tax Returns
- Business Tax Returns
  - Used to confirm that this income will be recurring for the individual
  - Consider profitability, leverage, business cash flow, ownership, accessibility
  - Consider recourse debt
- Other Documentation as Needed

## Analyzing Individual 1040 Cash Flow Sources

- 1040 page 1
- 1040 page 2 (don't forget the taxes!)
- 1040 Schedule 1
- 1040 Schedule A (more taxes and living expenses)
- 1040 Schedules B
- 1040 Schedule C
- 1040 Schedule D
- 1040 Schedule E Part I, Part II, and Part III
- 1040 Schedule F
- W-2 and K-1's

## Business Sources of Cash Flow

- C&I Business Operations
- CRE Business/Investment Cash Flow
- Non-recurring and Extraordinary Cash Flow
- Cash Flow from Related Entities
- Other Income and Expenses

## Calculating Business Cash Flow from Operations

### Two Primary Methods of Business Cash Flow Analysis

- Traditional Cash Flow and Debt Service Coverage
  - Income Statement Only
- Uniform Cash Analysis and UCA Debt Service Coverage
  - Income Statement and Balance Sheet together



## Traditional Debt Service Coverage Calculations

- Debt Service Coverage – Business
- EBITDA and EBITDA Coverage – Business
- Debt to Income – Individual
- Global Debt Service Coverage – Business(es) and Individual(s) together

## Debt Service Coverage

- Debt service coverage ratio is a measure of **operating income** available to service all debt obligations.
- Banks generally use the DSC ratio in commercial lending to analyze the net operating income (NOI) of a business or project available for debt service.
- Because DSC does not consider balance sheet account changes, it will not adequately assess capacity to repay debt for businesses with significant non-cash working capital assets (accounts receivable and inventory).

## Calculating DSC

- From tax returns or business financial statements, calculate as follows:
  - $(\text{Annual Net Income} + \text{Interest} + \text{Depreciation} + \text{Amortization} + \text{Depletion}) / \text{Annual project or business debt service requirements}$
- Banks often calculate the *actual* and the *underwritten* DSC.
  - Your bank underwriting policy/procedures may require additional expense deductions for vacancy, management, maintenance, and/or capital expenses over what is reported in financial statements or tax returns.
- 1.00 DSC ratio or 1:1 DSC is break even
- DSC policy requirements vary from bank to bank depending on project type, collateral, loan type, and/or industry.

## Debt Service Requirements

Where can you find a business' debt service requirements?

## EBITDA Coverage Ratios

- Earnings Before Interest, Taxes, Depreciation, and Amortization
  - Net profit + interest + taxes (if a C-Corp) + Depreciation + Depletion + Amortization
  - Also know as Net Operating Income or NOI
  - Use EBIDA for non C-Corps and manually estimate the taxes
- $\text{EBITDA} / (\text{CMLTD} + \text{Interest} + \text{Taxes})$
- EBITDA/Debt Service
- $\text{EBITDA} / (\text{CMLTD} + \text{Interest} + \text{Taxes} + \text{Dividends})$
- $(\text{EBITDA} - \text{Taxes}) / (\text{CMLTD} + \text{Interest})$
- $(\text{EBITDA} - \text{Taxes} - \text{Dividends}) / \text{CMLTD} + \text{Interest}$
- $(\text{EBIDA} - \text{Distributions}) / \text{CMLTD} + \text{Interest}$

## Example 1: Calculating DSC

Calculate the DSC ratio for the following:

Chandler and Monica have a loan request to refinance a single-family home they have owned for five years. You have calculated their new payment will be \$800 month. This does not include escrow payments for insurance and real estate taxes. They have no other debts related to the property. Schedule E of 2023 tax returns report the following:

Rents Received	\$28,000
Cleaning/Maintenance	\$600
Insurance	\$2,400
Mortgage Interest	\$12,000
Other Interest	\$0
Repairs	\$8,000
Real Estate Taxes	\$2,300
Depreciation	\$5,600
Net Income	-\$2,900

## Example 2: Calculating DSC

Chandler and Monica have a loan request to purchase a new single-family home that they will lease to the current tenant. They have provided you with a copy of the lease agreement, which calls for a monthly rent payment of \$1200. Chandler and Monica will assume this lease at closing.

They have also provided you with a hazard insurance binder that indicates annual hazard insurance cost of \$1500. You have confirmed that last year's city and county real estate taxes totaled \$1800. For properties where taxes returns cannot be provided, your bank policy requires that you assume an expense factor of 25% of annual gross rents received to account for all other expenses, including maintenance, repairs, and vacancy.

The proposed monthly loan payment will be \$800.

What is the DSC for this project?

## Debt-to-Income

- Used primarily in consumer loan calculations and guarantor cash flow.
- Compares a person's debt obligations to their income over the same period.
- When considering personal income, lenders need a good indication that income can be reasonably depended on to repay the debt. For example, you should consider stability of employment, quality and expiration of leases, alimony or child support expiration.
- Likewise, when considering expenses and debt obligations, we should consider whether these will recur or be eliminated in the near future.
- Debt to income is calculated as: All monthly debt obligations and other payment obligations divided by gross monthly income, expressed as a percentage.

## Debt-to-Income

- Same Customer.
- Same Credit Request.
- Same Information provided.

Scenario A:		Scenario B:	
Monthly Income		Monthly Income	
Salary	5,000	Salary	5000
Rents Received	2,000	Net Rental Cash Flow	500
Total Income	7000	Total Income	5500
Monthly Debt		Monthly Debt	
Home Mortgage	1,000	Home Mortgage	1000
Car	500	Car	500
Credit Cards	500	Credit Cards	500
Mortgage Payments	1500	Mortgage Payments	0
Total Debt Obligations	3,500	Total Debt Obligations	2000
(Total Debt Pmts / Total Income)*100		(Total Debt Pmts / Total Income)*100	
50%		36%	

ABC Bank loan policy requires that debt to income for this type loan not exceed 43%.

## Debt-to-Income

- Same Customer
- Same Credit Request.
- Same Information provided.

**Fair Lending Requires  
Consistent  
Underwriting!**

Bank loan  
requires  
debt to  
income for this  
type of loan  
not exceed 43%.

## Consistent DSC and DTI Calculations

- Housing costs – include insurance and taxes in the payment?
- Loans close to repayment
- Calculating revolving credit and student Loans
- Calculating schedule C and E business rental income
- Underwriting rental properties to be purchased or recently purchased
  - Estimate income? Require leases? Assume no income?
  - Use consistent factors for calculating expenses: real estate taxes, insurance, vacancy, maintenance, capital expenditures, other
- K-1 Cash withdrawals versus Business Tax Return DSC allocated by ownership

## Global Debt Service Coverage – Guarantor

- This ratio measures the global repayment capacity (cash flow) of the individual commercial borrower or guarantor.
- Accounts for total income of an individual – from personal, business, and investment sources – to meet personal debt service requirements and the debt service requirements of all entities in which they have an interest, particularly debt they guarantee.
- GDSC also includes personal living expenses and all taxes (real estate and income taxes) paid.

## Global Debt Service Coverage – Credit

- This ratio measures the global repayment capacity of the entire credit - the borrower and all guarantors.
- Accounts for total income available for debt service of a business borrower and all income available from individual guarantors to meet all business and personal debt service requirements.
- Includes business taxes paid.
- Includes personal living expenses and all taxes paid for by all guarantors.

## Projecting Future Cash Flow

- Financial statements/tax returns from past years are only an indicator of what current and future cash flow may be.
- Since the loan will be repaid in the future, the lender should assess how owner/management character and changes in conditions could impact loan repayment through financial statement analysis and conversations with borrowers/management.
- A thorough knowledge of the borrower, the loan purpose and borrowing need, the guarantors, the internal and external business conditions, and the borrower/guarantors' future plans are critical to analyzing a loan request.

## GDSC Example and Case Study

- DC Building Supply, Inc. and DC Properties, LLC
- Costanza Properties, LLC

## Blank Slide for Case Study



## Case Study: Calculating Global DSC

You have a new loan request from George and Elaine Costanza to purchase an existing condo quadruplex building. The Costanzas will buy the building for \$800,000 and plan to finance \$640,000 of that amount. Constanza Properties, LLC will serve as the Borrower, with ownership shared equally between George and Elaine, each holding 50%. You have calculated the monthly payments to be \$5,800 per month. The building is fully leased, and your borrower will assume the leases.

Elaine and George have provided you with a flyer from the realtor marketing the building, which includes a 2020 income statement. They have also given you a copy of their personal tax returns, a current PFS, and a guarantor debt schedule. You have had conversations with them and have learned the following:

- The wages are from Elaine's job as an administrative assistant, working for a publishing company. She has been employed there for 12 years.
- Interest earned is from bank accounts with your bank, which George and Elaine still have.
- Dividends were from a Merrill Lynch fund that George sold in 2020 and from an investment he made in a friend's business. He owns less than 5% of the business and guarantees no debt for it.
- George cashed in the IRA last year.
- George collects social security of \$24,000 annually.
- Capital gains are from a vacant lot George sold.
- George owns and operates a valet parking business: George's Parking and Transport, LLC. It has two payments on lots he has financed: \$1,500 per month and \$600 per month.
- George and Elaine own two single family residential properties. They have a loan on the house at 456 Newman Way. The loan payment is \$1600 per month. They have no debt on the other house.
- George guarantees no debt for George and Jerry's Soup Kitchen, Inc.
- George and Elaine have outstanding credit card payments totaling \$8,300, a car loan payment of \$540 per month, and a \$1200 personal home mortgage payment. Your bank's underwriting procedures require that you calculate an annual payment on revolving credit of 30% percent of the total outstanding balances.

Your bank policy requires a minimum project DSC ratio on multi-family properties of 1.25x and a minimum global DSC of 1.25x.

Your bank's commercial loan underwriting procedures require that you calculate standard living expenses at 15% of total personal income available for debt service. Your bank also requires deductions for federal, state, and local taxes in GDSC calculations.

1. Using the blank spreadsheets provided in this manual, calculate the DSC for the borrower and the Global DSC for George and Elaine.
2. Based only on the information provided, what are the strengths and weaknesses of this loan request? What loan structuring and/or approval conditions would you require?

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# Somewhere Commons

## Fully Leased Commercial Investment Opportunity

Somewhere, New York | Asking Price: \$825,000

<b>In-Place NOI</b>	<b>Cap Rate</b>	<b>Net Income</b>
<b>\$88,000</b>	<b>10.7%</b>	<b>\$44,000</b>

### Property Overview

- Stabilized, income-producing commercial property
- Fully leased with existing tenant base
- Conservative underwriting with no other income assumed
- Strong cash yield for a secondary New York market

### Investment Highlights

- In-place cash flow supports attractive bank financing
- Favorable risk-adjusted return profile
- Suitable for owner-operator or passive investor
- Priced below replacement cost

### Detailed Financial Statements - Year Ended December 31, 2020

Rental Income	\$150,000
Operating Expenses	
Real Estate Taxes	(19,500)
Insurance	(6,800)
Repairs & Maintenance	(10,200)
Property Management	(9,360)
Utilities (Common Areas)	(6,100)
Landscaping / Snow Removal	(4,400)
Professional Fees	(3,400)
Advertising / Leasing	(1,900)
Administrative	(320)
Total Operating Expenses	<b>(62,000)</b>
Net Operating Income (NOI)	<b>\$88,000</b>
Interest Expense	(21,000)
Depreciation	(23,000)
Net Profit (Before Taxes)	<b>\$44,000</b>

- NOI excludes interest and depreciation per standard commercial underwriting.
- No vacancy or other income assumed due to full occupancy.
- Financials represent in-place operations, not a pro forma.

Form **1040**Department of the Treasury—Internal Revenue Service  
**U.S. Individual Income Tax Return**

(99)

**2020**

OMB No. 1545-0074

IRS Use Only—Do not write or staple in this space.

**Filing Status** ☐ Single ☒ Married filing jointly ☐ Married filing separately (MFS) ☐ Head of household (HOH) ☐ Qualifying widow(er) (QW)  
Check only one box. If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QW box, enter the child's name if the qualifying person is a child but not your dependent ▶

Your first name and middle initial <b>George P</b>		Last name <b>Costanza</b>		Your social security number <b>1 2 3 4 5 6 7 8 9</b>	
If joint return, spouse's first name and middle initial <b>Elaine B</b>		Last name <b>Costanza</b>		Spouse's social security number <b>5 5 5 5 5 5 5 5 5</b>	
Home address (number and street). If you have a P.O. box, see instructions. <b>555 Anywhere St.</b>				Apt. no.	
City, town, or post office. If you have a foreign address, also complete spaces below. <b>Somewhere</b>				State <b>NY</b>	
				ZIP code <b>55555</b>	
Foreign country name		Foreign province/state/county		Foreign postal code	
Presidential Election Campaign Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund. <input type="checkbox"/> You <input type="checkbox"/> Spouse					

At any time during 2020, did you receive, sell, send, exchange, or otherwise acquire any financial interest in any virtual currency? ☐ Yes ☒ No

**Standard Deduction** **Someone can claim:** ☐ You as a dependent ☐ Your spouse as a dependent  
☐ Spouse itemizes on a separate return or you were a dual-status alien

**Age/Blindness** **You:** ☐ Were born before January 2, 1956 ☐ Are blind **Spouse:** ☐ Was born before January 2, 1956 ☐ Is blind

**Dependents** (see instructions):

(1) First name	Last name	(2) Social security number	(3) Relationship to you	(4) <input checked="" type="checkbox"/> if qualifies for (see instructions): Child tax credit	Credit for other dependents
Kramer	Costanza	1 1 1 1 1 1 1 1 1	Son	<input type="checkbox"/>	<input checked="" type="checkbox"/>
				<input type="checkbox"/>	<input checked="" type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>

Attach Sch. B if required.	<b>1</b> Wages, salaries, tips, etc. Attach Form(s) W-2	<b>1</b>	<b>45,044</b>	
	<b>2a</b> Tax-exempt interest	<b>2a</b>		
<b>Standard Deduction for—</b> • Single or Married filing separately, \$12,400 • Married filing jointly or Qualifying widow(er), \$24,800 • Head of household, \$18,650 • If you checked any box under <b>Standard Deduction</b> , see instructions.	<b>3a</b> Qualified dividends	<b>3a</b>		
	<b>4a</b> IRA distributions	<b>4a</b>	<b>20,000</b>	
	<b>5a</b> Pensions and annuities	<b>5a</b>		
	<b>6a</b> Social security benefits	<b>6a</b>	<b>24,000</b>	
	<b>7</b> Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/>		<b>7</b>	<b>4,249</b>
	<b>8</b> Other income from Schedule 1, line 9		<b>8</b>	<b>70,971</b>
	<b>9</b> Add lines 1, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your <b>total income</b>		<b>9</b>	<b>157,107</b>
	<b>10</b> Adjustments to income:			
	<b>a</b> From Schedule 1, line 22	<b>10a</b>	<b>6,507</b>	
	<b>b</b> Charitable contributions if you take the standard deduction. See instructions	<b>10b</b>		
<b>c</b> Add lines 10a and 10b. These are your <b>total adjustments to income</b>		<b>10c</b>	<b>6,507</b>	
<b>11</b> Subtract line 10c from line 9. This is your <b>adjusted gross income</b>		<b>11</b>	<b>150,600</b>	
<b>12</b> <b>Standard deduction or itemized deductions</b> (from Schedule A)		<b>12</b>	<b>39,822</b>	
<b>13</b> Qualified business income deduction. Attach Form 8995 or Form 8995-A		<b>13</b>	<b>6,843</b>	
<b>14</b> Add lines 12 and 13		<b>14</b>	<b>46,665</b>	
<b>15</b> <b>Taxable income.</b> Subtract line 14 from line 11. If zero or less, enter -0-		<b>15</b>	<b>103,935</b>	

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions.

Cat. No. 11320B

Form **1040** (2020)

<b>16</b>	Tax (see instructions). Check if any from Form(s): 1 <input type="checkbox"/> 8814 2 <input type="checkbox"/> 4972 3 <input type="checkbox"/>	<b>16</b>	8,232
<b>17</b>	Amount from Schedule 2, line 3	<b>17</b>	
<b>18</b>	Add lines 16 and 17	<b>18</b>	8,232
<b>19</b>	Child tax credit or credit for other dependents	<b>19</b>	1,000
<b>20</b>	Amount from Schedule 3, line 7	<b>20</b>	
<b>21</b>	Add lines 19 and 20	<b>21</b>	1,000
<b>22</b>	Subtract line 21 from line 18. If zero or less, enter -0-	<b>22</b>	7,232
<b>23</b>	Other taxes, including self-employment tax, from Schedule 2, line 10	<b>23</b>	11,003
<b>24</b>	Add lines 22 and 23. This is your <b>total tax</b>	<b>24</b>	18,232
<b>25</b>	Federal income tax withheld from:		
<b>a</b>	Form(s) W-2	<b>25a</b>	7,948
<b>b</b>	Form(s) 1099	<b>25b</b>	
<b>c</b>	Other forms (see instructions)	<b>25c</b>	
<b>d</b>	Add lines 25a through 25c	<b>25d</b>	7,948
<b>26</b>	2020 estimated tax payments and amount applied from 2019 return	<b>26</b>	11,785
<b>27</b>	Earned income credit (EIC)	<b>27</b>	
<b>28</b>	Additional child tax credit. Attach Schedule 8812	<b>28</b>	
<b>29</b>	American opportunity credit from Form 8863, line 8	<b>29</b>	
<b>30</b>	Recovery rebate credit. See instructions	<b>30</b>	3,400
<b>31</b>	Amount from Schedule 3, line 13	<b>31</b>	
<b>32</b>	Add lines 27 through 31. These are your <b>total other payments and refundable credits</b>	<b>32</b>	3,400
<b>33</b>	Add lines 25d, 26, and 32. These are your <b>total payments</b>	<b>33</b>	23,133
<b>Refund</b>	<b>34</b> If line 33 is more than line 24, subtract line 24 from line 33. This is the amount you <b>overpaid</b>	<b>34</b>	4,901
Direct deposit? See instructions.	<b>35a</b> Amount of line 34 you want <b>refunded to you</b> . If Form 8888 is attached, check here <input type="checkbox"/>	<b>35a</b>	
	<b>b</b> Routing number <input type="text"/> <b>c</b> Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings		
	<b>d</b> Account number <input type="text"/>		
	<b>36</b> Amount of line 34 you want <b>applied to your 2021 estimated tax</b>	<b>36</b>	4,901
<b>Amount You Owe</b> For details on how to pay, see instructions.	<b>37</b> Subtract line 33 from line 24. This is the <b>amount you owe now</b>	<b>37</b>	
	<b>Note:</b> Schedule H and Schedule SE filers, line 37 may not represent all of the taxes you owe for 2020. See Schedule 3, line 12e, and its instructions for details.		
	<b>38</b> Estimated tax penalty (see instructions)	<b>38</b>	
<b>Third Party Designee</b>	Do you want to allow another person to discuss this return with the IRS? See instructions <input checked="" type="checkbox"/> <b>Yes. Complete below.</b> <input type="checkbox"/> <b>No</b>		
	Designee's name <b>Jerry Seinfeld</b>	Phone no. <b>555-123-4567</b>	Personal identification number (PIN) <b>9 8 7 6 5</b>
<b>Sign Here</b>	Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.		
Joint return? See instructions. Keep a copy for your records.	Your signature	Date	Your occupation <b>Parking Attendant</b>
	Spouse's signature. If a joint return, <b>both</b> must sign.	Date	Spouse's occupation <b>Copy Editor</b>
	Phone no.	Email address	
<b>Paid Preparer Use Only</b>	Preparer's name <b>Jerry Seinfeld</b>	Preparer's signature	Date
	Firm's name <b>Jerry Seinfeld, CPA, LLC</b>	PTIN <b>P0123456</b>	Check if: <input type="checkbox"/> Self-employed
	Firm's address <b>Somewhere, NY</b>	Phone no. <b>555-123-4567</b>	Firm's EIN <b>99-9999999</b>

Go to [www.irs.gov/Form1040](http://www.irs.gov/Form1040) for instructions and the latest information.Form **1040** (2020)

**SCHEDULE 1**  
**(Form 1040)**Department of the Treasury  
Internal Revenue Service**Additional Income and Adjustments to Income**

▶ Attach to Form 1040, 1040-SR, or 1040-NR.

▶ Go to [www.irs.gov/Form1040](http://www.irs.gov/Form1040) for instructions and the latest information.

OMB No. 1545-0074

**2020**Attachment  
Sequence No. **01**

Name(s) shown on Form 1040, 1040-SR, or 1040-NR

George P. and Elaine B. Costanza

Your social security number

123-45-6789

**Part I Additional Income**

<b>1</b>	Taxable refunds, credits, or offsets of state and local income taxes . . . . .	<b>1</b>	
<b>2a</b>	Alimony received . . . . .	<b>2a</b>	
<b>b</b>	Date of original divorce or separation agreement (see instructions) ▶		
<b>3</b>	Business income or (loss). Attach Schedule C . . . . .	<b>3</b>	88,413
<b>4</b>	Other gains or (losses). Attach Form 4797 . . . . .	<b>4</b>	
<b>5</b>	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	<b>5</b>	-17,442
<b>6</b>	Farm income or (loss). Attach Schedule F . . . . .	<b>6</b>	
<b>7</b>	Unemployment compensation . . . . .	<b>7</b>	
<b>8</b>	Other income. List type and amount ▶	<b>8</b>	
<b>9</b>	Combine lines 1 through 8. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 8 . . . . .	<b>9</b>	70,791

**Part II Adjustments to Income**

<b>10</b>	Educator expenses . . . . .	<b>10</b>	
<b>11</b>	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 . . . . .	<b>11</b>	
<b>12</b>	Health savings account deduction. Attach Form 8889 . . . . .	<b>12</b>	
<b>13</b>	Moving expenses for members of the Armed Forces. Attach Form 3903 . . . . .	<b>13</b>	
<b>14</b>	Deductible part of self-employment tax. Attach Schedule SE . . . . .	<b>14</b>	1,792
<b>15</b>	Self-employed SEP, SIMPLE, and qualified plans . . . . .	<b>15</b>	4,715
<b>16</b>	Self-employed health insurance deduction . . . . .	<b>16</b>	
<b>17</b>	Penalty on early withdrawal of savings . . . . .	<b>17</b>	
<b>18a</b>	Alimony paid . . . . .	<b>18a</b>	
<b>b</b>	Recipient's SSN . . . . . ▶		
<b>c</b>	Date of original divorce or separation agreement (see instructions) ▶		
<b>19</b>	IRA deduction . . . . .	<b>19</b>	
<b>20</b>	Student loan interest deduction . . . . .	<b>20</b>	
<b>21</b>	Tuition and fees deduction. Attach Form 8917 . . . . .	<b>21</b>	
<b>22</b>	Add lines 10 through 21. These are your <b>adjustments to income</b> . Enter here and on Form 1040, 1040-SR, or 1040-NR, line 10a . . . . .	<b>22</b>	6,507

For Paperwork Reduction Act Notice, see your tax return instructions.

Cat. No. 71479F

Schedule 1 (Form 1040) 2020

**SCHEDULE A**  
**(Form 1040)**Department of the Treasury  
Internal Revenue Service (99)**Itemized Deductions**► Go to [www.irs.gov/ScheduleA](http://www.irs.gov/ScheduleA) for instructions and the latest information.  
► Attach to Form 1040 or 1040-SR.

OMB No. 1545-0074

**2020**Attachment  
Sequence No. **07**

Name(s) shown on Form 1040 or 1040-SR

George P. and Elaine B. Costanza

Your social security number

123-45-6789

**Medical  
and  
Dental  
Expenses****Caution:** Do not include expenses reimbursed or paid by others.

- 1 Medical and dental expenses (see instructions) . . . . .
- 2 Enter amount from Form 1040 or 1040-SR, line 11 **2** . . . . .
- 3 Multiply line 2 by 7.5% (0.075) . . . . .
- 4 Subtract line 3 from line 1. If line 3 is more than line 1, enter -0- . . . . .

1	
2	
3	
4	

**Taxes You  
Paid**

- 5 State and local taxes.
- a State and local income taxes or general sales taxes. You may include either income taxes or general sales taxes on line 5a, but not both. If you elect to include general sales taxes instead of income taxes, check this box . . . . . ► ☐
- b State and local real estate taxes (see instructions) . . . . .
- c State and local personal property taxes . . . . .
- d Add lines 5a through 5c . . . . .
- e Enter the smaller of line 5d or \$10,000 (\$5,000 if married filing separately) . . . . .
- 6 Other taxes. List type and amount ► . . . . .
- 7 Add lines 5e and 6 . . . . .

5a	6,984
5b	4,175
5c	97
5d	11,256
5e	10,000
6	
7	10,000

**Interest  
You Paid****Caution:** Your mortgage interest deduction may be limited (see instructions).

- 8 Home mortgage interest and points. If you didn't use all of your home mortgage loan(s) to buy, build, or improve your home, see instructions and check this box . . . . . ► ☐
- a Home mortgage interest and points reported to you on Form 1098. See instructions if limited . . . . .
- b Home mortgage interest not reported to you on Form 1098. See instructions if limited. If paid to the person from whom you bought the home, see instructions and show that person's name, identifying no., and address . . . . .
- c Points not reported to you on Form 1098. See instructions for special rules . . . . .
- d Mortgage insurance premiums (see instructions) . . . . .
- e Add lines 8a through 8d . . . . .
- 9 Investment interest. Attach Form 4952 if required. See instructions . . . . .
- 10 Add lines 8e and 9 . . . . .

8a	12,221
8b	
8c	
8d	
8e	12,221
9	
10	12,221

**Gifts to  
Charity****Caution:** If you made a gift and got a benefit for it, see instructions.

- 11 Gifts by cash or check. If you made any gift of \$250 or more, see instructions . . . . .
- 12 Other than by cash or check. If you made any gift of \$250 or more, see instructions. You **must** attach Form 8283 if over \$500 . . . . .
- 13 Carryover from prior year . . . . .
- 14 Add lines 11 through 13 . . . . .

11	17,261
12	340
13	
14	17,601

**Casualty and  
Theft Losses**

- 15 Casualty and theft loss(es) from a federally declared disaster (other than net qualified disaster losses). Attach Form 4684 and enter the amount from line 18 of that form. See instructions . . . . .

15	
----	--

**Other  
Itemized  
Deductions**

- 16 Other—from list in instructions. List type and amount ► . . . . .

16	
----	--

**Total  
Itemized  
Deductions**

- 17 Add the amounts in the far right column for lines 4 through 16. Also, enter this amount on Form 1040 or 1040-SR, line 12 . . . . .
- 18 If you elect to itemize deductions even though they are less than your standard deduction, check this box . . . . . ► ☐

17	39,822
18	

For Paperwork Reduction Act Notice, see the Instructions for Forms 1040 and 1040-SR.

Cat. No. 17145C

Schedule A (Form 1040) 2020



**SCHEDULE B**  
**(Form 1040)**

Department of the Treasury  
Internal Revenue Service (99)

**Interest and Ordinary Dividends**

► Go to [www.irs.gov/ScheduleB](http://www.irs.gov/ScheduleB) for instructions and the latest information.  
► Attach to Form 1040 or 1040-SR.

OMB No. 1545-0074

**2020**  
Attachment  
Sequence No. **08**

Name(s) shown on return

George P. and Elaine B. Costanza

Your social security number

123-45-6789

**Part I**

**Interest**

(See instructions and the instructions for Forms 1040 and 1040-SR, line 2b.)

**Note:** If you received a Form 1099-INT, Form 1099-OID, or substitute statement from a brokerage firm, list the firm's name as the payer and enter the total interest shown on that form.

- 1 List name of payer. If any interest is from a seller-financed mortgage and the buyer used the property as a personal residence, see the instructions and list this interest first. Also, show that buyer's social security number and address ►

Our Favorite Bank

**Amount**

93

1

- 2 Add the amounts on line 1 . . . . .

2

93

- 3 Excludable interest on series EE and I U.S. savings bonds issued after 1989. Attach Form 8815 . . . . .

3

- 4 Subtract line 3 from line 2. Enter the result here and on Form 1040 or 1040-SR, line 2b . . . . .

4

93

**Note:** If line 4 is over \$1,500, you must complete Part III.

**Part II**

**Ordinary Dividends**

(See instructions and the instructions for Forms 1040 and 1040-SR, line 3b.)

**Note:** If you received a Form 1099-DIV or substitute statement from a brokerage firm, list the firm's name as the payer and enter the ordinary dividends shown on that form.

- 5 List name of payer ►

My Closely Held Business, Inc.

Merrill Lynch

**Amount**

250

202

5

- 6 Add the amounts on line 5. Enter the total here and on Form 1040 or 1040-SR, line 3b . . . . .

6

452

**Note:** If line 6 is over \$1,500, you must complete Part III.

**Part III**

**Foreign Accounts and Trusts**

**Caution:** If required, failure to file FinCEN Form 114 may result in substantial penalties. See instructions.

You must complete this part if you (a) had over \$1,500 of taxable interest or ordinary dividends; (b) had a foreign account; or (c) received a distribution from, or were a grantor of, or a transferor to, a foreign trust.

**Yes No**

- 7a At any time during 2020, did you have a financial interest in or signature authority over a financial account (such as a bank account, securities account, or brokerage account) located in a foreign country? See instructions . . . . .

If "Yes," are you required to file FinCEN Form 114, Report of Foreign Bank and Financial Accounts (FBAR), to report that financial interest or signature authority? See FinCEN Form 114 and its instructions for filing requirements and exceptions to those requirements . . . . .

- b If you are required to file FinCEN Form 114, enter the name of the foreign country where the financial account is located ►

- 8 During 2020, did you receive a distribution from, or were you the grantor of, or transferor to, a foreign trust? If "Yes," you may have to file Form 3520. See instructions . . . . .

For Paperwork Reduction Act Notice, see your tax return instructions.

Cat. No. 17146N

Schedule B (Form 1040) 2020

**SCHEDULE C  
(Form 1040)**

Department of the Treasury  
Internal Revenue Service (99)

**Profit or Loss From Business**  
(Sole Proprietorship)

► Go to [www.irs.gov/ScheduleC](http://www.irs.gov/ScheduleC) for instructions and the latest information.

► Attach to Form 1040, 1040-SR, 1040-NR, or 1041; partnerships generally must file Form 1065.

OMB No. 1545-0074

**2020**

Attachment  
Sequence No. **09**

Name of proprietor <b>George P. Costanza</b>		Social security number (SSN)																				
A Principal business or profession, including product or service (see instructions) <b>Transportation</b>		B Enter code from instructions <table border="1" style="width:100%; text-align: center;"> <tr> <td>1</td><td>2</td><td>3</td><td>4</td><td>5</td><td>6</td><td>7</td><td>8</td><td>9</td><td>0</td> </tr> <tr> <td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td> </tr> </table>	1	2	3	4	5	6	7	8	9	0										
1	2	3	4	5	6	7	8	9	0													
C Business name. If no separate business name, leave blank. <b>George's Parking and Transport</b>		D Employer ID number (EIN) (see instr.) <table border="1" style="width:100%; text-align: center;"> <tr> <td>1</td><td>2</td><td>3</td><td>4</td><td>5</td><td>6</td><td>7</td><td>8</td><td>9</td><td>0</td> </tr> <tr> <td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td> </tr> </table>	1	2	3	4	5	6	7	8	9	0										
1	2	3	4	5	6	7	8	9	0													
E Business address (including suite or room no.) ► <b>555 Anywhere St.</b> City, town or post office, state, and ZIP code <b>Somewhere, NY 55555</b>																						
F Accounting method: (1) <input checked="" type="checkbox"/> Cash (2) <input type="checkbox"/> Accrual (3) <input type="checkbox"/> Other (specify) ►																						
G Did you "materially participate" in the operation of this business during 2020? If "No," see instructions for limit on losses <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No																						
H If you started or acquired this business during 2020, check here <input type="checkbox"/>																						
I Did you make any payments in 2020 that would require you to file Form(s) 1099? See instructions <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No																						
J If "Yes," did you or will you file required Form(s) 1099? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No																						

**Part I Income**

1 Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked. <input type="checkbox"/>	1	183,153
2 Returns and allowances	2	
3 Subtract line 2 from line 1	3	
4 Cost of goods sold (from line 42)	4	
5 <b>Gross profit.</b> Subtract line 4 from line 3	5	183,153
6 Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	6	
7 <b>Gross income.</b> Add lines 5 and 6	7	183,153

**Part II Expenses.** Enter expenses for business use of your home **only** on line 30.

8 Advertising	8	461	18 Office expense (see instructions)	18	896
9 Car and truck expenses (see instructions)	9		19 Pension and profit-sharing plans	19	
10 Commissions and fees	10		20 Rent or lease (see instructions):		
11 Contract labor (see instructions)	11	9,313	a Vehicles, machinery, and equipment	20a	
12 Depletion	12		b Other business property	20b	
13 Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	13	4,440	21 Repairs and maintenance	21	3,429
14 Employee benefit programs (other than on line 19)	14		22 Supplies (not included in Part III)	22	
15 Insurance (other than health)	15	3,248	23 Taxes and licenses	23	11,137
16 Interest (see instructions):			24 Travel and meals:		
a Mortgage (paid to banks, etc.)	16a		a Travel	24a	
b Other	16b	11,131	b Deductible meals (see instructions)	24b	255
17 Legal and professional services	17	650	25 Utilities	25	
28 <b>Total expenses</b> before expenses for business use of home. Add lines 8 through 27a	28		26 Wages (less employment credits)	26	42,384
29 Tentative profit or (loss). Subtract line 28 from line 7	29		27a Other expenses (from line 48)	27a	6,571
30 Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method. See instructions. <b>Simplified method filers only:</b> Enter the total square footage of (a) your home: 2900 and (b) the part of your home used for business: 180. Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30	30		b <b>Reserved for future use</b>	27b	
31 <b>Net profit or (loss).</b> Subtract line 30 from line 29. • If a profit, enter on both <b>Schedule 1 (Form 1040), line 3</b> , and on <b>Schedule SE, line 2</b> . (If you checked the box on line 1, see instructions). Estates and trusts, enter on <b>Form 1041, line 3</b> . • If a loss, you <b>must</b> go to line 32.	31		28 <b>Total expenses</b> before expenses for business use of home. Add lines 8 through 27a	28	93,915
32 If you have a loss, check the box that describes your investment in this activity. See instructions. • If you checked 32a, enter the loss on both <b>Schedule 1 (Form 1040), line 3</b> , and on <b>Schedule SE, line 2</b> . (If you checked the box on line 1, see the line 31 instructions). Estates and trusts, enter on <b>Form 1041, line 3</b> . • If you checked 32b, you <b>must</b> attach <b>Form 6198</b> . Your loss may be limited.			29 Tentative profit or (loss). Subtract line 28 from line 7	29	89,238
			30 Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method. See instructions. <b>Simplified method filers only:</b> Enter the total square footage of (a) your home: 2900 and (b) the part of your home used for business: 180. Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30	30	825
			31 <b>Net profit or (loss).</b> Subtract line 30 from line 29. • If a profit, enter on both <b>Schedule 1 (Form 1040), line 3</b> , and on <b>Schedule SE, line 2</b> . (If you checked the box on line 1, see instructions). Estates and trusts, enter on <b>Form 1041, line 3</b> . • If a loss, you <b>must</b> go to line 32.	31	88,413

32a ☐ All investment is at risk.  
32b ☐ Some investment is not at risk.

For Paper Reduction Act Notice, see the separate instructions.

Cat. No. 11334P

Schedule C (Form 1040) 2020

**Part III Cost of Goods Sold** (see instructions)

<b>33</b>	Method(s) used to value closing inventory: <b>a</b> <input type="checkbox"/> Cost <b>b</b> <input type="checkbox"/> Lower of cost or market <b>c</b> <input type="checkbox"/> Other (attach explanation)	
<b>34</b>	Was there any change in determining quantities, costs, or valuations between opening and closing inventory? If "Yes," attach explanation . . . . .	<input type="checkbox"/> Yes <input type="checkbox"/> No
<b>35</b>	Inventory at beginning of year. If different from last year's closing inventory, attach explanation . . . . .	<b>35</b>
<b>36</b>	Purchases less cost of items withdrawn for personal use . . . . .	<b>36</b>
<b>37</b>	Cost of labor. Do not include any amounts paid to yourself . . . . .	<b>37</b>
<b>38</b>	Materials and supplies . . . . .	<b>38</b>
<b>39</b>	Other costs . . . . .	<b>39</b>
<b>40</b>	Add lines 35 through 39 . . . . .	<b>40</b>
<b>41</b>	Inventory at end of year . . . . .	<b>41</b>
<b>42</b>	<b>Cost of goods sold.</b> Subtract line 41 from line 40. Enter the result here and on line 4 . . . . .	<b>42</b>

**Part IV Information on Your Vehicle.** Complete this part **only** if you are claiming car or truck expenses on line 9 and are not required to file Form 4562 for this business. See the instructions for line 13 to find out if you must file Form 4562.

<b>43</b>	When did you place your vehicle in service for business purposes? (month/day/year)    ▶    ____/____/____
<b>44</b>	Of the total number of miles you drove your vehicle during 2020, enter the number of miles you used your vehicle for:
<b>a</b>	Business _____
<b>b</b>	Commuting (see instructions) _____
<b>c</b>	Other _____
<b>45</b>	Was your vehicle available for personal use during off-duty hours? . . . . . <input type="checkbox"/> Yes <input type="checkbox"/> No
<b>46</b>	Do you (or your spouse) have another vehicle available for personal use? . . . . . <input type="checkbox"/> Yes <input type="checkbox"/> No
<b>47a</b>	Do you have evidence to support your deduction? . . . . . <input type="checkbox"/> Yes <input type="checkbox"/> No
<b>b</b>	If "Yes," is the evidence written? . . . . . <input type="checkbox"/> Yes <input type="checkbox"/> No

**Part V Other Expenses.** List below business expenses not included on lines 8-26 or line 30.

Telephone	833
Computer and Software	1,596
Furnishings and Equipment	1,438
Educations and Training	1,604
Amortization	1,100
<b>48 Total other expenses.</b> Enter here and on line 27a . . . . .	<b>48</b> 6,571

**SCHEDULE E**  
**(Form 1040)**

Department of the Treasury  
Internal Revenue Service (99)

Name(s) shown on return

**Supplemental Income and Loss**

(From rental real estate, royalties, partnerships, S corporations, estates, trusts, REMICs, etc.)

▶ Attach to Form 1040, 1040-SR, 1040-NR, or 1041.

▶ Go to [www.irs.gov/ScheduleE](http://www.irs.gov/ScheduleE) for instructions and the latest information.

OMB No. 1545-0074

**2020**

Attachment  
Sequence No. **13**

Your social security number

George P. and Elaine B. Costanza

**Part I** **Income or Loss From Rental Real Estate and Royalties** **Note:** If you are in the business of renting personal property, use Schedule C. See instructions. If you are an individual, report farm rental income or loss from **Form 4835** on page 2, line 40.

**A** Did you make any payments in 2020 that would require you to file Form(s) 1099? See instructions . . . . . ☐ Yes ☒ No

**B** If "Yes," did you or will you file required Form(s) 1099? . . . . . ☐ Yes ☐ No

**1a** Physical address of each property (street, city, state, ZIP code)

**A** 123 Seinfeld Dr. NY, NY 55555

**B** 456 Newman Way, NY, NY 55555

**C**

<b>1b</b>	Type of Property (from list below)	<b>2</b>	Fair Rental Days	Personal Use Days	QJV
<b>A</b>	1	For each rental real estate property listed above, report the number of fair rental and personal use days. Check the <b>QJV</b> box only if you meet the requirements to file as a qualified joint venture. See instructions.	<b>A</b> 366		<input type="checkbox"/>
<b>B</b>	1		<b>B</b> 366		<input type="checkbox"/>
<b>C</b>			<b>C</b>		<input type="checkbox"/>

**Type of Property:**

- 1 Single Family Residence      3 Vacation/Short-Term Rental      5 Land      7 Self-Rental  
2 Multi-Family Residence      4 Commercial      6 Royalties      8 Other (describe)

<b>Income:</b>	<b>Properties:</b>	<b>A</b>	<b>B</b>	<b>C</b>
<b>3</b> Rents received . . . . .	<b>3</b>	16,242	22,500	
<b>4</b> Royalties received . . . . .	<b>4</b>			

<b>Expenses:</b>				
<b>5</b> Advertising . . . . .	<b>5</b>	452	321	
<b>6</b> Auto and travel (see instructions) . . . . .	<b>6</b>			
<b>7</b> Cleaning and maintenance . . . . .	<b>7</b>	643	850	
<b>8</b> Commissions. . . . .	<b>8</b>			
<b>9</b> Insurance . . . . .	<b>9</b>	2,150	2,649	
<b>10</b> Legal and other professional fees . . . . .	<b>10</b>			
<b>11</b> Management fees . . . . .	<b>11</b>			
<b>12</b> Mortgage interest paid to banks, etc. (see instructions)	<b>12</b>		12,448	
<b>13</b> Other interest. . . . .	<b>13</b>			
<b>14</b> Repairs. . . . .	<b>14</b>	3,200	1,460	
<b>15</b> Supplies . . . . .	<b>15</b>			
<b>16</b> Taxes . . . . .	<b>16</b>	3,260	3,939	
<b>17</b> Utilities. . . . .	<b>17</b>			
<b>18</b> Depreciation expense or depletion . . . . .	<b>18</b>	13,256	16,787	
<b>19</b> Other (list) ▶ . . . . .	<b>19</b>			
<b>20</b> Total expenses. Add lines 5 through 19 . . . . .	<b>20</b>	22,961	38,454	
<b>21</b> Subtract line 20 from line 3 (rents) and/or 4 (royalties). If result is a (loss), see instructions to find out if you must file <b>Form 6198</b> . . . . .	<b>21</b>	-6,719	-15,954	
<b>22</b> Deductible rental real estate loss after limitation, if any, on <b>Form 8582</b> (see instructions) . . . . .	<b>22</b>	( 6,719 )	( 15,954 )	( )

<b>23a</b> Total of all amounts reported on line 3 for all rental properties . . . . .	<b>23a</b>	38,742	
<b>b</b> Total of all amounts reported on line 4 for all royalty properties . . . . .	<b>23b</b>		
<b>c</b> Total of all amounts reported on line 12 for all properties . . . . .	<b>23c</b>	12,448	
<b>d</b> Total of all amounts reported on line 18 for all properties . . . . .	<b>23d</b>	30,043	
<b>e</b> Total of all amounts reported on line 20 for all properties . . . . .	<b>23e</b>	61,415	

**24** **Income.** Add positive amounts shown on line 21. **Do not** include any losses . . . . . **24**

**25** **Losses.** Add royalty losses from line 21 and rental real estate losses from line 22. Enter total losses here . . . . . **25** ( -22,673 )

**26** **Total rental real estate and royalty income or (loss).** Combine lines 24 and 25. Enter the result here. If Parts II, III, IV, and line 40 on page 2 do not apply to you, also enter this amount on Schedule 1 (Form 1040), line 5. Otherwise, include this amount in the total on line 41 on page 2 . . . . . **26** -22,673

For Paperwork Reduction Act Notice, see the separate instructions.

Cat. No. 11344L

Schedule E (Form 1040) 2020

Name(s) shown on return. Do not enter name and social security number if shown on other side.

Your social security number

123456789

**Caution:** The IRS compares amounts reported on your tax return with amounts shown on Schedule(s) K-1.

**Part II** **Income or Loss From Partnerships and S Corporations** – **Note:** If you report a loss, receive a distribution, dispose of stock, or receive a loan repayment from an S corporation, you **must** check the box in column (e) on line 28 and attach the required basis computation. If you report a loss from an at-risk activity for which **any** amount is **not** at risk, you **must** check the box in column (f) on line 28 and attach **Form 6198**. See instructions.

**27** Are you reporting any loss not allowed in a prior year due to the at-risk or basis limitations, a prior year unallowed loss from a passive activity (if that loss was not reported on Form 8582), or unreimbursed partnership expenses? If you answered "Yes," see instructions before completing this section . . . . . ☐ **Yes** ☐ **No**

<b>28</b>	<b>(a)</b> Name	<b>(b)</b> Enter <b>P</b> for partnership; <b>S</b> for S corporation	<b>(c)</b> Check if foreign partnership	<b>(d)</b> Employer identification number	<b>(e)</b> Check if basis computation is required	<b>(f)</b> Check if any amount is not at risk
<b>A</b>	Jerry and George's Soup Kitchen, Inc.	S	<input type="checkbox"/>	22-2222222	<input type="checkbox"/>	<input type="checkbox"/>
<b>B</b>			<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
<b>C</b>			<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
<b>D</b>			<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

<b>Passive Income and Loss</b>			<b>Nonpassive Income and Loss</b>		
<b>(g)</b> Passive loss allowed (attach <b>Form 8582</b> if required)	<b>(h)</b> Passive income from <b>Schedule K-1</b>	<b>(i)</b> Nonpassive loss allowed (see <b>Schedule K-1</b> )	<b>(j)</b> Section 179 expense deduction from <b>Form 4562</b>	<b>(k)</b> Nonpassive income from <b>Schedule K-1</b>	
<b>A</b>	0	12,000		0	
<b>B</b>					
<b>C</b>					
<b>D</b>					
<b>29a</b> Totals		12,000			
<b>b</b> Totals					
<b>30</b>	Add columns (h) and (k) of line 29a. . . . .			<b>30</b>	12,000
<b>31</b>	Add columns (g), (i), and (j) of line 29b. . . . .			<b>31</b>	( )
<b>32</b>	<b>Total partnership and S corporation income or (loss).</b> Combine lines 30 and 31 . . . . .			<b>32</b>	12,000

**Part III** **Income or Loss From Estates and Trusts**

<b>33</b>	<b>(a)</b> Name	<b>(b)</b> Employer identification number
<b>A</b>		
<b>B</b>		

<b>Passive Income and Loss</b>		<b>Nonpassive Income and Loss</b>	
<b>(c)</b> Passive deduction or loss allowed (attach <b>Form 8582</b> if required)	<b>(d)</b> Passive income from <b>Schedule K-1</b>	<b>(e)</b> Deduction or loss from <b>Schedule K-1</b>	<b>(f)</b> Other income from <b>Schedule K-1</b>
<b>A</b>			
<b>B</b>			
<b>34a</b> Totals			
<b>b</b> Totals			
<b>35</b>	Add columns (d) and (f) of line 34a . . . . .		<b>35</b>
<b>36</b>	Add columns (c) and (e) of line 34b . . . . .		<b>36</b>
<b>37</b>	<b>Total estate and trust income or (loss).</b> Combine lines 35 and 36 . . . . .		<b>37</b>

**Part IV** **Income or Loss From Real Estate Mortgage Investment Conduits (REMICs) – Residual Holder**

<b>38</b>	<b>(a)</b> Name	<b>(b)</b> Employer identification number	<b>(c)</b> Excess inclusion from <b>Schedules Q</b> , line 2c (see instructions)	<b>(d)</b> Taxable income (net loss) from <b>Schedules Q</b> , line 1b	<b>(e)</b> Income from <b>Schedules Q</b> , line 3b
<b>39</b>	Combine columns (d) and (e) only. Enter the result here and include in the total on line 41 below				<b>39</b>

**Part V** **Summary**

<b>40</b>	Net farm rental income or (loss) from <b>Form 4835</b> . Also, complete line 42 below . . . . .	<b>40</b>	
<b>41</b>	<b>Total income or (loss).</b> Combine lines 26, 32, 37, 39, and 40. Enter the result here and on Schedule 1 (Form 1040), line 5 ▶	<b>41</b>	
<b>42</b>	<b>Reconciliation of farming and fishing income.</b> Enter your <b>gross</b> farming and fishing income reported on Form 4835, line 7; Schedule K-1 (Form 1065), box 14, code B; Schedule K-1 (Form 1120-S), box 17, code AD; and Schedule K-1 (Form 1041), box 14, code F. See instructions . . . . .	<b>42</b>	
<b>43</b>	<b>Reconciliation for real estate professionals.</b> If you were a real estate professional (see instructions), enter the net income or (loss) you reported anywhere on Form 1040, Form 1040-SR, or Form 1040-NR from all rental real estate activities in which you materially participated under the passive activity loss rules . . . . .	<b>43</b>	

☐ Final K-1☐ Amended K-1

OMB No. 1545-0123

**Schedule K-1  
(Form 1120-S)****2020**Department of the Treasury  
Internal Revenue Service

For calendar year 2020, or tax year

beginning   2020ending  **Shareholder's Share of Income, Deductions,  
Credits, etc.**

▶ See separate instructions.

**Part I Information About the Corporation****A** Corporation's employer identification number  
22-2222222**B** Corporation's name, address, city, state, and ZIP codeJerry and George's Soup Kitchen, Inc.  
129 W 81st St,  
New York, NY 10024**C** IRS Center where corporation filed return**Part II Information About the Shareholder****D** Shareholder's identifying number  
123-45-6789**E** Shareholder's name, address, city, state, and ZIP codeGeorge P. Costanza  
555 Anywhere St.  
Somewhere, NY 55555**F** Current year allocation percentage . . . . . 15 %**G** Shareholder's number of shares

Beginning of tax year . . . . . 10

End of tax year . . . . . 10

**H** Loans from shareholder

Beginning of tax year . . . . . \$ 0

End of tax year . . . . . \$ 0

For-IRS Use Only

**Part III Shareholder's Share of Current Year Income,  
Deductions, Credits, and Other Items**

<b>1</b>	Ordinary business income (loss)	<b>13</b>	Credits
	12,000		
<b>2</b>	Net rental real estate income (loss)		
<b>3</b>	Other net rental income (loss)		
<b>4</b>	Interest income		
<b>5a</b>	Ordinary dividends		
<b>5b</b>	Qualified dividends	<b>14</b>	Foreign transactions
<b>6</b>	Royalties		
<b>7</b>	Net short-term capital gain (loss)		
<b>8a</b>	Net long-term capital gain (loss)		
<b>8b</b>	Collectibles (28%) gain (loss)		
<b>8c</b>	Unrecaptured section 1250 gain		
<b>9</b>	Net section 1231 gain (loss)		
<b>10</b>	Other income (loss)	<b>15</b>	Alternative minimum tax (AMT) items
<b>11</b>	Section 179 deduction	<b>16</b>	Items affecting shareholder basis
		D	1,500
<b>12</b>	Other deductions		
		<b>17</b>	Other information
		A	Passive activity
<b>18</b>	<input type="checkbox"/> More than one activity for at-risk purposes*		
<b>19</b>	<input type="checkbox"/> More than one activity for passive activity purposes*		

\* See attached statement for additional information.

George and Elaine Costanza	George's Parking and Transport, LLC (Schedule C)***	Schedule E Rental Properties	Costanza Properties, LLC. New loan request. Newly formed business will file a 1065 Business Tax Return. **	Business Tax Return
Salary	45,044	Net Income	88,413	Net Income
Salary		Plus Depreciation & Depletion	4,440	Plus Depreciation & Depletion
Interest	93	Plus Amortization	1,100	Plus Amortization
Dividends****		Plus Interest	11,131	Plus Interest
IRA Distributions		Tax Deduction Only - No Cash Impact	825	Non recurring adjustment
Social Security Benefits	24,000	Non recurring adjustment		Non recurring adjustment
Other Personal Income		Non recurring adjustment		Non recurring adjustment
Other Personal Income		Non recurring adjustment		Less C-Corp Taxes
NOI - George's Parking and Transport (Schedule C)	105,909			Less C-Corp Taxes
NOI - Rental Properties (Schedule E)	19,818			Less C-Corp Dividends
Guarantor Distributions - K-1 (George's distribution from Jerry and George's Soup Kitchen, Inc)				Less K-1 Distributions (LLC, Partnership, S-Corp)
Guarantor Distributions - K-1	1,500			
Total Income	196,364			
Less:				
Living Expenses (15% of Total Income - line 15 above)*	29,455			
State and Local Taxes	6,984			
Federal Income Taxes	18,232			
Plus: Fed Tax Credits	3,400			
Less Other Taxes				
Income Available for Debt Service	145,093	Income Available for Debt Service	105,909	Income Available for Debt Service
Proposed Annual Debt Payment		Proposed Annual Debt Payment		Proposed Annual Debt Payment
Credit Cards Annual Payment	2,490	Annual Debt Payment - Lot	18,000	Newman Way Mortgage
Car Payment	6,480	Annual Debt Payment - Lot	7,200	Annual Debt Payment
Home Mortgage	14,400	Annual Debt Payment		Annual Debt Payment
Annual Debt Service - George's Parking and Transport, LLC	25,200	Annual Debt Payment		Annual Debt Payment
Annual Debt Service - Rental Properties	19,200	Annual Debt Payment		Annual Debt Payment
K-1 Contributions	0	Annual Debt Payment		Annual Debt Payment
Total Annual Debt Service	67,770	Total Annual Debt Service	25,200	Total Annual Debt Service
Global Debt Service Coverage Ratio	2.14	Debt Service Coverage Ratio	4.20	Debt Service Coverage Ratio**
Debt to Income	34.51%		1.03	Debt Service Coverage Ratio
Net Total Cash after Debt Service***	77,323	Net Cash Flow	80,709	Net Cash Flow
			618	Net Cash Flow

\*\*\*Cash flow assumes the bank procedures require that living expenses are calculated at 15% of income available for debt service and less state and federal taxes.

\*\*While it is acceptable to include this new loan request in the global cash flow for the guarantors, you should also consider the guarantor's GDSC without the new request included. This gives you a clearer picture of the cash flow strength (or weakness) that comes from the personal guaranty alone. (i.e. Does the personal guaranty provide a tertiary source of repayment - with cash flow of borrower identified as the primary source of repayment and sale of collateral identified a secondary source of repayment.)

\*\*\*It is recommended that you require George's Parking and Transport, LLC to also guaranty this loan request, as the \$79,884 is provides the most significant cash flow strength coming from the Personal Guarantors.

\*\*\*\*Confirm that the dividends will be recurring if you are going to count the dividends from the closely held business. Recommend getting 3 years of Schedule B showing consistent dividends.

## Methods of Accounting and Cash Flow Impact

- **Cash** – recognizes revenue and expenses when cash is received or paid
- **Accrual** – recognizes revenue when it is earned and expenses when they are incurred
- **Tax** – recognizes revenue and expenses per IRS tax rules

## Cash Flow Statement

- Considers the impact from the Income Statement combined with the impact of Balance Sheet changes over the same period to tell the story of cash flowing in and out of a business from:
  - Operating Activities: Revenue, COGS, Changes in Current Assets and Current Liabilities, Operating Expenses, Interest Expense, Dividends/Distributions, Taxes
  - Investing Activities: Long-term Asset Changes
  - Financing Activities: Acquiring and paying debt
- Indirect Cash Flow Statement begins with Net Profit. Direct begins with Revenue.
- UCA (Uniform Cash Analysis) is a direct cash flow statement created by bankers for bankers. It breaks “Debt Amortization” out of operating activities to help bankers easily see a businesses ability to service its debt.



## How is Cash Impacted?

- Sales GENERATE cash
  - KEY POINT: Increases in sales usually cause assets to grow
- Cost of good sold and expenses USE cash
- Growth in assets (AR, Inventory, Equipment, etc.) USE cash
- Decline in assets GENERATES cash
- Increase in liabilities (AP, Debt, etc.) GENERATES cash
- Decrease in liabilities (AP, Debt, etc.) USE cash
- Depreciation and Amortization – NO impact to cash. Gains and losses of sales of assets have usually a non-recurring impact on cash.

## Analyzing UCA Net Cash After Operations

- Ideal place to start with UCA statement analysis.
- Answers the key question: Is the business generating enough cash to fund its operations?
- Includes income statement revenue, cost of good sold, and operating expenses
- Includes changes in balance sheet working capital accounts
- What is the trend or key changes over a couple or several years?
- Are there areas of concern negatively impacting cash?

## Analyzing UCA Investing and Financing Activities

### Cash Flow from Investing/Financing Surplus

- How fixed assets purchases, sales or dispositions impacted cash

### Cash Flow from Financing

- How did the business finance its cash needs? Short-term debt, long-term debt, available cash, or combination

### Change in Cash

- Calculates total cash used or generated during the accounting period
- Balances back to balance sheet change in cash

## UCA NCAO Coverage Ratios

- $\text{UCA NCAO} / (\text{CMLTD} + \text{Interest})$
- $\text{UCA NCAO} / \text{Debt Service from Debt Schedule}$
- $\text{UCA NCAO} / (\text{CMLTD} + \text{Interest} + \text{Dividends})$

# GDSC and UCA Case Study

DC Building Supply, Inc. and DC Properties, LLC

# Blank Slide for Case Study

## Cash Flow Analysis Case Study

Your bank has the opportunity to bring in a new banking relationship with DC Builder Supply, Inc. and DC Holdings, LLC. The DC Holdings, LLC building loan, currently with ABC Bank, is maturing in a few months. The owners have requested that the \$1,200,000 balance be amortized over 20 years at your best rate. Based on the current payment and interest rate listed on the current debt schedule, there are about 10 years remaining on the loan as currently amortized.

The owners are also seeking a \$500,000 Line of Credit to support DC Builder Supply's working capital needs. This would replace the \$100,000 LOC they have with their current bank, which is fully funded based on the debt schedule.

DC Builder Supply has served the Atlanta Metro market for fifteen years. They specialize in serving locally based residential builders (70 percent of business), local commercial builders (20 percent), and local retail DIY customers (10 percent). DC's customers greatly value the high level of personalized and advisory service they offer, and the company strives to keep inventory on hand to meet their customer's unique time sensitive needs.

DC Holdings, LLC owns 100% of the building occupied by DC Builder Supply. The sole source of income of DC Holdings is \$210,000 in gross annual rent from DC Builder Supply. The brothers estimate that the building is worth about \$2.2 million, which is realistic based on an appraisal from three years ago and accounting for recent CRE value appreciation.

Don and Lester Carter are brothers. They each own 50% of DC Builder Supply and 50% of DC Holdings, LLC. Don actively manages the day-to-day operations, and Lester serves as a strategic advisor, working in the business part-time.

Don Carter's entire career has been working in the building supply business. He began working with Home Depot during college, eventually becoming a store manager and a regional store manager, before partnering with his brother to found DC Builder Supply. Don has provided you with his personal tax returns and a current personal financial statement. You have pulled a credit report, which indicates no past due history and a credit score of 740. Don's 2025 tax return indicates that he is married and that his spouse is a homemaker. He shows two dependents.

Lester Carter is also the 100% owner of LC Homes, Inc., a residential construction company also located in the Atlanta Metro area. Lester started his residential construction company in early 2003. Lester has provided you with his personal tax returns and a current personal financial statement. You have pulled a credit report, which indicates no past due history and a credit score of 780. Don's 2025 tax return indicates that he is single with no dependents.

You have received three years of tax returns from DC Builder Supply. You have not received the tax returns for DC Holdings yet, but Don did provide you with a 2025 year-end company prepared income statement. Your credit services team member has spread the financial statements and provided you with an income statement, balance sheet, and UCA report. They have also completed a global cash flow analysis for 2025 and spread the personal financial statements.

Blank Space for Computation and Notes

DC Builder Supply, Inc.		DC Holdings, LLC		Business 3	
Net Income	525,000	Net Income	42,804	Net Income	
Plus Depreciation & Depletion	120,000	Plus Depreciation & Depletion	36,996	Plus Depreciation & Depletion	
Plus Amortization		Plus Amortization		Plus Amortization	
Plus Interest	45,000	Plus Interest	84,000	Plus Interest	
Non recurring adjustment		Non recurring adjustment		Non recurring adjustment	
Non recurring adjustment		Non recurring adjustment		Non recurring adjustment	
Non recurring adjustment		Non recurring adjustment		Non recurring adjustment	
Less C-Corp Taxes		Less C-Corp Taxes		Less C-Corp Taxes	
Less C-Corp Dividends		Less C-Corp Dividends		Less C-Corp Dividends	
Less K-1 Distributions (LLC, Partnership, S-Corp)	-215,000	Less K-1 Distributions (LLC, Partnership, S-Corp)	15,000	Less K-1 Distributions (LLC, Partnership, S-Corp)	
Plus K-1 Contributions (LLC, Partnership, S-Corp)		Plus K-1 Contributions (LLC, Partnership, S-Corp)		Plus K-1 Contributions (LLC, Partnership, S-Corp)	
<b>NOI - Business 1</b>	<b>475,000</b>	<b>NOI - Business 2</b>	<b>178,800</b>	<b>NOI - Business 3</b>	<b>0</b>
Proposed \$500,000 LOC - Interest Only at 7%	35,000	Proposed \$1,200,000 Mortgage at 6% with 20 year amort	103,200	Proposed Annual Debt Payment	
Equipment Loan (\$525,000 at 6.5% - about 5 years remaining)	123,300			Annual Debt Payment	
Equipment Loan		Annual Debt Payment		Annual Debt Payment	
Annual Debt Payment		Annual Debt Payment		Annual Debt Payment	
Annual Debt Payment		Annual Debt Payment		Annual Debt Payment	
Annual Debt Payment		Annual Debt Payment		Annual Debt Payment	
Annual Debt Payment		Annual Debt Payment		Annual Debt Payment	
Annual Debt Service - Business 1	158,300	Annual Debt Service - Business 2	103,200	Annual Debt Service - Business 3	0
Debt Service Coverage Ratio	3.00	Debt Service Coverage Ratio	1.73	Debt Service Coverage Ratio	#DIV/0!
Net Cash Flow	316,700	Net Cash Flow	75,600	Net Cash Flow	0

Don Carter		Schedule E - Beach Condo		Schedule C, F, E Part 1	
Salary - Don	250,000	Net Income	-32,500	Net Income	
Salary		Plus Depreciation & Depletion	25,500	Plus Depreciation & Depletion	
Interest	1,200	Plus Amortization		Plus Amortization	
Dividends		Plus Interest	48,000	Plus Interest	
IRA Distributions		Non recurring adjustment		Non recurring adjustment	
Social Security Benefits		Non recurring adjustment		Non recurring adjustment	
Other Personal Income		Non recurring adjustment		Non recurring adjustment	
Other Personal Income					
Total NOI from Schedule C, F, E Part 1	41,000				
K-1 Distribution DC Builders Supply	107,500				
K-1 Distribution DC Holdings, LLC	20,000				
Guarantor Distributions - K-1					
Total Income	419,700				
Less:					
Living Expenses	62,955				
State and Local Taxes	26,000				
Federal Income Taxes	162,000				
Plus: Fed Tax Credits	2,000				
Tax Adjustment (Negative)					
Tax Adjustment (Positive)					
Income Available for Debt Service	170,745	NOI Available for Debt Service	41,000	NOI Available for Debt Service	0
Proposed Annual Debt Payment		Proposed Annual Debt Payment		Proposed Annual Debt Payment	
Mortgage Payment - Primary	28,800	Annual Debt Payment	62,400	Annual Debt Payment	
Car Payments	23,400	Annual Debt Payment		Annual Debt Payment	
Credit Cards	30	Annual Debt Payment		Annual Debt Payment	
Annual Debt Payment		Annual Debt Payment		Annual Debt Payment	
Total Debt Service from Schedule C, F, E Part 1	62,400	Annual Debt Payment		Annual Debt Payment	
Total K-1 Cash Contributions		Annual Debt Payment		Annual Debt Payment	
Total Annual Debt Service	114,630	Total Annual Debt Service	62,400	Total Annual Debt Service	0
Global Debt Service Coverage Ratio	1.49				#DIV/0!
Debt to Income	27%	Debt Service Coverage Ratio	0.66	Debt Service Coverage Ratio	
Net Total Cash after Debt Service	56,115	Net Cash Flow	-21,400	Net Cash Flow	0



<b>Lester Carter</b>		<b>Schedule C Farm</b>		<b>Schedule E Rentals (Lester Rentals LLC)</b>	
Salary - DC Bulding Supply	50,000	Net Income	-36,000	Net Income	-6,500
Salary		Plus Depreciation & Depletion	20,000	Plus Depreciation & Depletion	32,000
Interest	4,500	Plus Amortization		Plus Amortization	
Dividends	16,500	Plus Interest		Plus Interest	12,000
IRA Distributions		Non recurring adjustment		Non recurring adjustment	
Social Security Benefits		Non recurring adjustment		Non recurring adjustment	
Other Personal Income		Non recurring adjustment		Non recurring adjustment	
Other Personal Income					
Total NOI from Schedule C, F, E Part 1	21,500				
K-1 Distribution DC Builders Supply	107,500				
K-1 Distribution LC Homes, Inc.	50,000				
K-1 Distribution DC Holdings, LLC	20,000				
Total Income	270,000				
Less:					
Living Expenses (20% of Income)	54,000				
State and Local Taxes	15,000				
Federal Income Taxes	90,000				
Plus: Fed Tax Credits	2,100				
Tax Adjustment (Negative)					
Tax Adjustment (Positive)					
Income Available for Debt Service	113,100	NOI Available for Debt Service	-16,000	NOI Available for Debt Service	37,500
Proposed Annual Debt Payment		Proposed Annual Debt Payment		Proposed Annual Debt Payment	
Mortgage	26,400	Annual Debt Payment		Mortgage	18,000
Car	10,800	Annual Debt Payment		Annual Debt Payment	
Credit Cards	7,500	Annual Debt Payment		Annual Debt Payment	
Total Debt Service from Schedule C, F, E Part 1	18,000	Annual Debt Payment		Annual Debt Payment	
Total K-1 Cash Contributions		Annual Debt Payment		Annual Debt Payment	
Total Annual Debt Service	62,700	Total Annual Debt Service	0	Total Annual Debt Service	18,000
Global Debt Service Coverage Ratio	1.80	Debt Service Coverage Ratio	#DIV/0!	Debt Service Coverage Ratio	2.08
Debt to Income	23.22%				
Net Total Cash after Debt Service	50,400	Net Cash Flow	-16,000	Net Cash Flow	19,500

Total Income Available for Debt Service - Businesses	653,800
Total Income Available for Debt Service - Person 1	170,745
Total Income Available for Debt Service - Person 2	113,100
<b>Global Income Available for Debt Service</b>	<b>937,645</b>

Total Debt Service - Businesses	261,500
Total Debt Service - Person 1	114,630
Total Debt Service - Person 2	62,700
<b>Global Debt Service</b>	<b>438,830</b>

<b>Global DSCR</b>	<b>2.14</b>
<b>Net Global Cash Flow</b>	<b>498,815</b>

<b>Business Only Combined DSC</b>	<b>2.50</b>
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## Personal Balance Sheet Don Carter (DC)

Currency in US Dollars

Analyst: CDrexler

12/31/2025

02/06/2026

Cash & equivalents	80,000
Total Current Assets	80,000
Retirement accounts	750,000
Personal property	100,000
Vehicles	135,000
Real estate (primary residence)	950,000
Real estate (other residence)	1,050,000
Total Real Estate Assets	2,000,000
Total Non-Current Assets	2,985,000
<b>Total Assets</b>	<b>3,065,000</b>
Credit card balances	30,000
Total Current Liabilities	30,000
Mortgage (primary residence)	360,000
Mortgage (other residence)	650,000
Vehicle loans	131,500
Total Non-Current Liabilities	1,141,500
<b>Total Liabilities</b>	<b>1,171,500</b>
<b>Net Worth</b>	<b>1,893,500</b>

### RATIOS

Debt / Net Worth Ratio	0.62
Current Ratio	2.67

## Personal Balance Sheet Lester Carter (DC)

Currency in US Dollars

Analyst: CDrexler

12/31/2025

02/06/2026

Cash & equivalents	10,000
Stocks & bonds	250,000
Total Current Assets	260,000
Cash value life insurance	50,000
Retirement accounts	100,000
Personal property	25,000
Real estate (primary residence)	650,000
Real estate (land)	525,000
Real estate (rental & commercial)	600,000
Total Real Estate Assets	1,775,000
Total Non-Current Assets	1,950,000
<b>Total Assets</b>	<b>2,210,000</b>
Credit card balances	25,000
Total Current Liabilities	25,000
Mortgage (primary residence)	290,000
Mortgage (rental & commercial)	167,000
Vehicle loans	45,000
Total Non-Current Liabilities	502,000
<b>Total Liabilities</b>	<b>527,000</b>
<b>Net Worth</b>	<b>1,683,000</b>

### RATIOS

Debt / Net Worth Ratio	0.31
Current Ratio	10.40

# Common Size Balance Sheet DC Builder Supply, Inc.

Currency in US Dollars

Analyst: CDrexler	12/31/2023	Common	12/31/2024	Common	12/31/2025	Common
02/13/2026		Size		Size		Size
Analyst:	C Drexler		C Drexler		C Drexler	
Accounting Firm:						

<b>Assets</b>						
Cash	195,000	5.9	145,000	3.8	120,000	2.8
Trade accounts rec	865,000	26.2	1,125,000	29.6	1,350,000	31.8
less Bad Debts	-10,000	-0.3	-15,000	-0.4	-25,000	-0.6
Trade Receivables (net)	855,000	25.9	1,110,000	29.2	1,325,000	31.3
Inventories	1,400,000	42.4	1,800,000	47.3	2,090,000	49.3
Other current assets	35,000	1.1	40,000	1.1	40,000	0.9
Itemized Other Current Assets Total	35,000	1.1	40,000	1.1	40,000	0.9
All Other Current Assets	35,000	1.1	40,000	1.1	40,000	0.9
<b>Total Current Assets</b>	<b>2,485,000</b>	<b>75.2</b>	<b>3,095,000</b>	<b>81.3</b>	<b>3,575,000</b>	<b>84.3</b>
Buildings/other assets	1,260,000	38.1	1,260,000	33.1	1,335,000	31.5
less accumulated depreciation	-440,000	-13.3	-550,000	-14.5	-670,000	-15.8
<b>Fixed Assets (net)</b>	<b>820,000</b>	<b>24.8</b>	<b>710,000</b>	<b>18.7</b>	<b>665,000</b>	<b>15.7</b>
<b>Total Non-Current Assets</b>	<b>820,000</b>	<b>24.8</b>	<b>710,000</b>	<b>18.7</b>	<b>665,000</b>	<b>15.7</b>
<b>Total Assets</b>	<b>3,305,000</b>	<b>100.0</b>	<b>3,805,000</b>	<b>100.0</b>	<b>4,240,000</b>	<b>100.0</b>
<b>Liability &amp; Owner's Equity</b>						
Accounts payable	550,000	16.6	750,000	19.7	800,000	18.9
Mortgages & Notes < 1 year	-	-	50,000	1.3	80,000	1.9
Current Maturities of Long-Term Debt	135,000	4.1	130,000	3.4	125,000	2.9
<b>Current Maturities of Long Term Debt</b>	<b>135,000</b>	<b>4.1</b>	<b>180,000</b>	<b>4.7</b>	<b>205,000</b>	<b>4.8</b>
Other current liabilities	100,000	3.0	100,000	2.6	100,000	2.4
Itemized Other Current Liabilities Total	100,000	3.0	100,000	2.6	100,000	2.4
All Other Current Liabilities	100,000	3.0	100,000	2.6	100,000	2.4
<b>Total Current Liabilities</b>	<b>785,000</b>	<b>23.8</b>	<b>1,030,000</b>	<b>27.1</b>	<b>1,105,000</b>	<b>26.1</b>
Mortgages & Notes > 1 year	445,000	13.5	370,000	9.7	420,000	9.9
Notes payable long term	445,000	13.5	370,000	9.7	420,000	9.9
Long Term Debt	445,000	13.5	370,000	9.7	420,000	9.9
<b>Total Non-Current Liabilities</b>	<b>445,000</b>	<b>13.5</b>	<b>370,000</b>	<b>9.7</b>	<b>420,000</b>	<b>9.9</b>
<b>Total Liabilities</b>	<b>1,230,000</b>	<b>37.2</b>	<b>1,400,000</b>	<b>36.8</b>	<b>1,525,000</b>	<b>36.0</b>
Capital stock	100,000	3.0	100,000	2.6	100,000	2.4
Additional paid-in capital	250,000	7.6	250,000	6.6	250,000	5.9
Retained earnings	1,725,000	52.2	2,055,000	54.0	2,365,000	55.8
<b>Total Equity</b>	<b>2,075,000</b>	<b>62.8</b>	<b>2,405,000</b>	<b>63.2</b>	<b>2,715,000</b>	<b>64.0</b>
<b>Net Worth</b>	<b>2,075,000</b>	<b>62.8</b>	<b>2,405,000</b>	<b>63.2</b>	<b>2,715,000</b>	<b>64.0</b>

Common Size Balance Sheet DC Builder Supply, Inc.

Currency in US Dollars

Analyst: CDrexler	12/31/2023	Common	12/31/2024	Common	12/31/2025	Common
02/13/2026		Size		Size		Size
Analyst:	C Drexler		C Drexler		C Drexler	
Accounting Firm:						

Total Liabilities & Equity	3,305,000	100.0	3,805,000	100.0	4,240,000	100.0
Tangible Net Worth	2,075,000	62.8	2,405,000	63.2	2,715,000	64.0
Working Capital	1,700,000	51.4	2,065,000	54.3	2,470,000	58.3
Capital Base	2,075,000	62.8	2,405,000	63.2	2,715,000	64.0

# Common Size Income Statement DC Builder Supply, Inc.

Currency in US Dollars

Analyst: CDrexler	12/31/2023	Common	12/31/2024	Common	12/31/2025	Common
02/13/2026		Size		Size		Size
Analyst:	C Drexler		C Drexler		C Drexler	
Accounting Firm:						

Gross receipts or sales	9,975,000	100.5	11,250,000	100.4	12,350,000	100.4
Returns and allowances	-50,000	-0.5	-50,000	-0.4	-50,000	-0.4
<b>Net Sales</b>	<b>9,925,000</b>	<b>100.0</b>	<b>11,200,000</b>	<b>100.0</b>	<b>12,300,000</b>	<b>100.0</b>
Cost of goods sold	7,252,000	73.1	8,270,000	73.8	9,100,000	74.0
<b>Net Cost of Sales/Goods</b>	<b>7,252,000</b>	<b>73.1</b>	<b>8,270,000</b>	<b>73.8</b>	<b>9,100,000</b>	<b>74.0</b>
<b>Gross Profit</b>	<b>2,673,000</b>	<b>26.9</b>	<b>2,930,000</b>	<b>26.2</b>	<b>3,200,000</b>	<b>26.0</b>
<b>Gross Profit Margin</b>	<b>27</b>	<b>-</b>	<b>26</b>	<b>-</b>	<b>26</b>	<b>-</b>
<b>Operating Expenses</b>						
Advertising	45,000	0.5	55,000	0.5	65,000	0.5
Bad debts	12,000	0.1	18,000	0.2	20,000	0.2
<i>Total depreciation</i>	<i>110,000</i>	<i>1.1</i>	<i>115,000</i>	<i>1.0</i>	<i>120,000</i>	<i>1.0</i>
Depreciation	110,000	1.1	115,000	1.0	120,000	1.0
AmortizationDepreciationDepletion	110,000	1.1	115,000	1.0	120,000	1.0
Employee benefits	120,000	1.2	130,000	1.2	145,000	1.2
Pension, Profit-Sharing, etc.	65,000	0.7	75,000	0.7	85,000	0.7
Rents	180,000	1.8	195,000	1.7	210,000	1.7
Repairs/maintenance	35,000	0.4	40,000	0.4	45,000	0.4
Taxes/licenses	110,000	1.1	122,000	1.1	135,000	1.1
Officer compensation	250,000	2.5	275,000	2.5	300,000	2.4
Salaries and wages	980,000	9.9	1,100,000	9.8	1,250,000	10.2
Other deductions	178,000	1.8	342,000	3.1	257,000	2.1
Itemized Other Fixed Expenses Total	178,000	1.8	342,000	3.1	257,000	2.1
<b>Operating Expenses</b>	<b>2,085,000</b>	<b>21.0</b>	<b>2,467,000</b>	<b>22.0</b>	<b>2,632,000</b>	<b>21.4</b>
<b>Operating Profit</b>	<b>588,000</b>	<b>5.9</b>	<b>463,000</b>	<b>4.1</b>	<b>568,000</b>	<b>4.6</b>
Interest	52,000	0.5	48,000	0.4	45,000	0.4
Non-Operating Expenses	52,000	0.5	48,000	0.4	45,000	0.4
Other income	4,000	-	3,000	-	2,000	-
**LESS: Itemized Other Income Total	4,000	-	3,000	-	2,000	-
<i>Net gain (loss)</i>	<i>-</i>	<i>-</i>	<i>12,000</i>	<i>0.1</i>	<i>-</i>	<i>-</i>
*LESS: Gain (loss) on sale	-	-	12,000	0.1	-	-
<b>All Other Expenses (net)</b>	<b>48,000</b>	<b>0.5</b>	<b>33,000</b>	<b>0.3</b>	<b>43,000</b>	<b>0.3</b>
Profit Before Taxes	540,000	5.4	430,000	3.8	525,000	4.3
<b>Net Profit</b>	<b>540,000</b>	<b>5.4</b>	<b>430,000</b>	<b>3.8</b>	<b>525,000</b>	<b>4.3</b>
<b>Net Profit Margin</b>	<b>5</b>	<b>-</b>	<b>4</b>	<b>-</b>	<b>4</b>	<b>-</b>
Dividends & distributions	125,000	1.3	100,000	0.9	215,000	1.7
Change in retained earnings	415,000	4.2	330,000	2.9	310,000	2.5
EBITDA	702,000	7.1	593,000	5.3	690,000	5.6
EBIT	592,000	6.0	478,000	4.3	570,000	4.6

Common Size Income Statement DC Builder Supply, Inc.

Currency in US Dollars

Analyst: CDrexler	12/31/2023	Common	12/31/2024	Common	12/31/2025	Common
02/13/2026		Size		Size		Size
Analyst:	C Drexler		C Drexler		C Drexler	
Accounting Firm:						
Adjusted EBITDA	702,000	7.1	593,000	5.3	690,000	5.6

Line Notes	Line Name	Notes
	* Gain/loss on sale	RMA treats as Net of Other Expenses
	** Other income	RMA treats as Net of Other Expenses



# UCA Cash Flow Detail DC Builder Supply, Inc.

Currency in US Dollars

Analyst: CDrexler  
02/13/2026

12/31/2024

12/31/2025

## CASH FLOW FROM OPERATIONS

Gross Sales	11,250,000	12,350,000
Discounts & Returns	-50,000	-50,000
<b>NET SALES</b>	<b>11,200,000</b>	<b>12,300,000</b>
Dec/(Inc) Accounts Receivable	-260,000	-225,000
Dec/(Inc) Bad Debts	5,000	10,000
Dec/(Inc) Trade Receivables Net	-255,000	-215,000
<b>CASH FROM SALES</b>	<b>10,945,000</b>	<b>12,085,000</b>
Cost of Sales/Goods	-8,270,000	-9,100,000
Dec/(Inc) Inventory	-400,000	-290,000
Inc/(Dec) Trade Payables	200,000	50,000
<b>CASH PRODUCTION COSTS</b>	<b>-8,470,000</b>	<b>-9,340,000</b>
<b>GROSS CASH INCOME</b>	<b>2,475,000</b>	<b>2,745,000</b>
Advertising	55,000	65,000
Bad Debt Expense	18,000	20,000
Employee Benefits	130,000	145,000
Pension & Retirement Plans	75,000	85,000
Rent	195,000	210,000
Repairs & Maintenance	40,000	45,000
Taxes & Licenses	122,000	135,000
Officers Compensation	275,000	300,000
Wages & Salaries	1,100,000	1,250,000
Other Fixed Expense	342,000	257,000
Cash Operating Expenses	-2,352,000	-2,512,000
<b>NET CASH OPERATING EXPENSES</b>	<b>-2,352,000</b>	<b>-2,512,000</b>
<b>CASH FLOW AFTER OPERATIONS</b>	<b>123,000</b>	<b>233,000</b>
Other Income	3,000	2,000
Dec/(Inc) Other Current Assets	-5,000	-
Dec/(Inc) Other Current Assets (Cash Flow)	-5,000	-
<b>OTHER CASH ADJUSTMENTS (UCA)</b>	<b>-2,000</b>	<b>2,000</b>
<b>NET CASH FLOW AFTER OPERATIONS (UCA)</b>	<b>121,000</b>	<b>235,000</b>

## CASH FLOW FROM DEBT AMORTIZATION

Interest Expense Paid	-48,000	-45,000
Dividends Distributions	-100,000	-215,000
Changes After Net Profit	-100,000	-215,000
<b>TOTAL FINANCING COSTS</b>	<b>-148,000</b>	<b>-260,000</b>
<b>NET CASH INCOME</b>	<b>-27,000</b>	<b>-25,000</b>
Current Maturities of Long Term Debt (UCA)	-135,000	-180,000
<b>NET CASH FLOW AFTER DEBT AMORTIZATION</b>	<b>-162,000</b>	<b>-205,000</b>

## CASH FLOW FROM FINANCING SURPLUS

Dec/(Inc) Buildings	-	-75,000
Dec/(Inc) Accumulated Depreciation	110,000	120,000

## UCA Cash Flow Detail DC Builder Supply, Inc.

Currency in US Dollars

Analyst: CDrexler  
02/13/2026

12/31/2024

12/31/2025

Depreciation	-115,000	-120,000
Dec/(Inc) Fixed Assets	-5,000	-75,000
Gain Loss On Sale	12,000	-
<b>CASH FLOW FROM INVESTING</b>	<b>7,000</b>	<b>-75,000</b>
<b>NET CASH FLOW AFTER FINANCING SURPLUS</b>	<b>-155,000</b>	<b>-280,000</b>
<b>CASH FLOW FROM FINANCING</b>		
Current Maturities of Long Term Debt	180,000	205,000
Inc/(Dec) Short Term Debt (UCA)	180,000	205,000
Inc/(Dec) Notes Payable Long Term	-75,000	50,000
Inc/(Dec) Long Term Debt	-75,000	50,000
<b>CASH FLOW FROM FINANCING (UCA)</b>	<b>105,000</b>	<b>255,000</b>
<b>TOTAL CASH FLOWS (UCA)</b>	<b>-50,000</b>	<b>-25,000</b>
Beginning Cash	195,000	145,000
Ending Cash	145,000	120,000
<b>CHANGE IN CASH</b>	<b>-50,000</b>	<b>-25,000</b>

\*RMA includes Prepaid Expenses in All Other Non-Current Assets for Balance Sheet comparisons, but Prepaid Expenses is counted in NET CASH OPERATING EXPENSE for cash flow analysis

## Cash Flow in the Real World

- Owner and Investor of Several Businesses
- Highly regarded in the community
- A couple of “Cash Cow” legacy businesses
- A business venture aligned with one of the “Cash Cows” was growing and capital intensive
- Large Speculative Real Estate investment in 2006
- Financed small business start-up for son to include building and working capital over several years
- Global traditional cash flow within requirements, but this was only part of the story . . .

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