Business Processes

Training Workbook Volume 1

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Congratulations!

Many traits help business success. Enthusiasm, hard-work, honesty, dependability, and customer-focus are very important.

Behind the scenes is another skill set that impacts success: business planning, budgeting, tracking income and expenses, and complying with regulations.

Workbook Volume 1: Business Processes
• Class 1 – Orientation
✓ Class 2 – Running your Business
• Class 3 – Growing and Maintaining your Business
Running your Business

BUDGETING AND TRACKING FINANCES
How is your business going?

- Fast-forward 12 months from now
- How will you answer?
It’s going great! I learned a lot about running a business.
I’ve been meeting all of my budget goals and paying my expenses on time.
I own equipment and provide Special Services to my customers.
Next year, I’m planning to sell my own customers and hire an employee!”
Common accounting terms

• Revenue (Cash In)
• Expenses (Cash Out)
• Start-up Costs
• Ongoing Costs
• Note (Promissory Note)
• Cash Available
Example: Tracking revenue and expenses

<table>
<thead>
<tr>
<th>Revenue</th>
<th>Cash in</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date</td>
<td>Item</td>
</tr>
<tr>
<td>31-Jan</td>
<td>Dec Regular Service Billing</td>
</tr>
<tr>
<td></td>
<td>3,309.50</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenses</th>
<th>Cash out</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date</td>
<td>Item</td>
</tr>
<tr>
<td>19-Jan</td>
<td>Internet service</td>
</tr>
<tr>
<td></td>
<td>52.50</td>
</tr>
<tr>
<td>31-Jan</td>
<td>Gas - Jan</td>
</tr>
<tr>
<td></td>
<td>140.00</td>
</tr>
<tr>
<td>31-Jan</td>
<td>Coverall Fees</td>
</tr>
<tr>
<td></td>
<td>742.02</td>
</tr>
<tr>
<td>31-Jan</td>
<td>Coverall Note Payments</td>
</tr>
<tr>
<td></td>
<td>758.47</td>
</tr>
<tr>
<td>31-Jan</td>
<td>Coverall Supplies/Equipment Purchases</td>
</tr>
<tr>
<td></td>
<td>19.07</td>
</tr>
<tr>
<td></td>
<td>Total Expenses: 1,712.06</td>
</tr>
</tbody>
</table>

Grand Total:

| Revenue   | 3,309.50 |
| Expenses  | -1,712.06|
|           | =1,597.44|
What is a Monthly Statement?

- Each month you will get a summary of your Coverall Franchised Business transactions. This is called a Monthly Statement.

- Review every statement and keep it in your business files.

- 5 parts:
  - Summary
  - Service Billings
  - Note Payments
  - Supplies / Equipment Purchased
  - Other Deductions and Charges

- Let’s look at the Summary first.
Sample – Summary

How much Coverall billed your customers for your services that Statement month

<table>
<thead>
<tr>
<th>Service Billing</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly Commercial Cleaning Service</td>
<td>3,305.00</td>
</tr>
<tr>
<td><strong>Total Service Billing</strong></td>
<td><strong>3,305.00</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fees</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Royalty and Support Fee</td>
<td>-495.75</td>
</tr>
<tr>
<td>General Liability Insurance</td>
<td>-161.00</td>
</tr>
<tr>
<td>FOJ</td>
<td>-79.32</td>
</tr>
<tr>
<td>Janitorial Bond</td>
<td>-5.95</td>
</tr>
<tr>
<td><strong>Total Fees</strong></td>
<td><strong>-742.02</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Customer Receivables</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Chargeback for Customers non payment</td>
<td>0.00</td>
</tr>
<tr>
<td>Payback</td>
<td>0.00</td>
</tr>
<tr>
<td>Collection Recovery</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>Total Receivables</strong></td>
<td><strong>0.00</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Note Payments</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Note Principal</td>
<td>-684.13</td>
</tr>
<tr>
<td>Note Interest</td>
<td>-74.34</td>
</tr>
<tr>
<td><strong>Total Note Payments</strong></td>
<td><strong>-758.47</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Supplies or equipment, including taxes</th>
<th>(Does not factor into total)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equipment Purchased</td>
<td>0.00</td>
</tr>
<tr>
<td>Supply Purchased</td>
<td>-17.99</td>
</tr>
<tr>
<td><strong>Sub Total for Purchases</strong></td>
<td><strong>-17.99</strong></td>
</tr>
<tr>
<td>Taxes</td>
<td>-1.08</td>
</tr>
<tr>
<td><strong>Total for Purchases</strong></td>
<td><strong>-19.07</strong></td>
</tr>
</tbody>
</table>

| Other Deductions and Charges                         | -19.07                        |

| Check Amount                                         | 1,785.44                       |
Sample – Fees

<table>
<thead>
<tr>
<th>Fees</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Royalty and Support Fee</td>
<td>-495.00</td>
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<tr>
<td>General Liability Insurance</td>
<td>-161.00</td>
</tr>
<tr>
<td>FOJ</td>
<td>-79.32</td>
</tr>
<tr>
<td>Janitorial Bond</td>
<td>-5.95</td>
</tr>
<tr>
<td><strong>Total Fees</strong></td>
<td><strong>-741.27</strong></td>
</tr>
</tbody>
</table>

- Royalty and Support Fee: 15% fee calculated on the gross monthly dollar volume billed to your customers each month.
- General Liability Insurance: Cost of insurance purchased through Coverall. Calculated on the gross monthly dollar volume billed to your customers each month.
- FOJ accident coverage or similar program: On-the-job occupational accident insurance program that may be offered through Coverall. The fee is calculated based on the gross monthly dollar amount billed to your customers each month, plus an additional $15.00 per month for each additional owner of your business.
- Janitorial Bond: Janitorial surety (or honesty) bond may be purchased through Coverall.
Sample – Services Performed

<table>
<thead>
<tr>
<th>RS Cust #</th>
<th>Customer Site</th>
<th>Start/End</th>
<th>Inv #</th>
<th>Billed</th>
<th>Gross</th>
<th>R/S</th>
<th>Net</th>
</tr>
</thead>
<tbody>
<tr>
<td>National</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>600-21</td>
<td>Ferguson 012345678 Commercial Cleaning Services</td>
<td>1/1/2014-1/31/2014</td>
<td>6000123</td>
<td>198.00</td>
<td>29.70</td>
<td>168.30</td>
<td></td>
</tr>
<tr>
<td>600-23</td>
<td>Scottrade 083 Commercial Cleaning Services</td>
<td>1/1/2014-1/31/2014</td>
<td>6000147</td>
<td>125.00</td>
<td>18.75</td>
<td>106.25</td>
<td></td>
</tr>
<tr>
<td>Regular</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>501-13901</td>
<td>Gangbusters Commercial Cleaning Services</td>
<td>1/1/2014-1/31/2014</td>
<td>5011134</td>
<td>165.00</td>
<td>165.00</td>
<td>24.75</td>
<td>140.25</td>
</tr>
<tr>
<td>501-20434</td>
<td>JJ Way Way</td>
<td>1/1/2014</td>
<td>5011135</td>
<td>150.00</td>
<td>150.00</td>
<td>22.50</td>
<td>127.50</td>
</tr>
</tbody>
</table>

- RS Cust #, Customer Site: Customer name and the customer number, Regular or National.
- Start/End: The dates your business provided service to the customer.
- Inv #: Invoice number of the invoice sent to your customer.
- Billed: The amount billed to your customer for your services for the Start/End dates shown.
- Gross: The gross amount for your services before Royalty and Support Fee.
- R/S: Royalty and Support Fee.
- Net: The net amount for your services before other expenses and deductions.
### Sample – Note Payments

<table>
<thead>
<tr>
<th>Note #</th>
<th>Payment #</th>
<th>Description</th>
<th>Previous Bal.</th>
<th>Principal</th>
<th>Interest</th>
<th>Cur. Payment</th>
<th>Cur. Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>501-73904</td>
<td>5 Of 6</td>
<td>4426 – 4-6 Month Additional Business Note – 501-45733–St Paul Auto Parts</td>
<td>187.00</td>
<td>-93.03</td>
<td>-1.87</td>
<td>-94.90</td>
<td>93.97</td>
</tr>
<tr>
<td>501-94028</td>
<td>5 Of 5</td>
<td>4426 – 4-6 Month Additional Business Note – 501-45734–St Paul Auto Parts</td>
<td>102.00</td>
<td>-102.00</td>
<td>-1.02</td>
<td>-103.02</td>
<td>0.00</td>
</tr>
<tr>
<td>501-48903</td>
<td>5 Of 6</td>
<td>4426 – 4-6 Month Additional Business Note – 501-56673–St Johns by the Ocean</td>
<td>220.98</td>
<td>-109.95</td>
<td>-2.21</td>
<td>-112.16</td>
<td>111.03</td>
</tr>
<tr>
<td>501-49947</td>
<td>4 Of 5</td>
<td>4426 – 4-6 Month Additional Business Note – 501-47333–</td>
<td>233.84</td>
<td>-116.34</td>
<td>-2.34</td>
<td>-118.68</td>
<td>117.50</td>
</tr>
</tbody>
</table>

- **Note #:** The note number.
- **Payment #:** How many payments you have made and how many are left.
- **Previous Bal:** The previous balance since the last payment was made.
- **Principal:** How much of your loan amount, without interest, you will pay that month.
- **Interest:** How much interest you will pay that month.
- **Cur. Payment:** Total principal plus interest you will pay that month.
- **Cur. Balance:** **How much you owe** after this month’s payment has been applied.
Sample – Supplies / Equipment Purchased

<table>
<thead>
<tr>
<th>Supplies / Equipment Purchased</th>
</tr>
</thead>
<tbody>
<tr>
<td>SO #</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>501-44949</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

- This section shows details for purchases your business made from the Coverall Support Center, such as apparel, chemicals or equipment.

- The amount deducted for your purchases will appear in the “Other Deductions and Charges” section.
Sample – Other Deductions and Charges

- Deductions and charges for various items, such as:
  - Sales Orders (SO) – amount deducted for your purchases your business made from the Coverall Support Center
  - ACH fee (Electronic Funds Transfer fee)
Budgeting Exercise #1

Use **Sample Franchised Business Statement #1** for this exercise. Write answers in your Workbook.

1. What is the gross monthly Service Billing for January? _________________

2. Why is the Royalty and Support Fee $495.75? _________________%

3. How much was taken out for Notes, including interest?

4. What was purchased for $19.07?

5. How many payments are left on Note # 501-94028? _________________

**Discussion:**

1. How do you think this Franchised Business is doing?
   a. What could improve the business?
   b. What could hurt the business?

2. What is the business impact of keeping your customers happy?
How do my customers get billed for my services?

• Coverall bills your customers and provides collection services for all of your customers, even the ones you find and bid yourself.

• At the beginning of each month, Coverall bills (invoices) your customers for services they will receive from your business that month.
Customer Billing Cycle

On the last calendar day of the month following the month in which you provided service, Coverall pays your franchised business the amount billed to your customers, minus any amounts you owe to Coverall.
What is the Cash Flow Protection Program?

While we are collecting the monies due from the customers you serviced, we will advance (loan) to you the amount we billed your customer ("Cash Flow Advance") for up to 2 months, minus any amounts you owe to Coverall, even if they haven't paid yet for your services.
What if your customer doesn’t pay for your services?

If, at the end of 3 months from the invoice date, your customer has not paid, then we will stop advances to you for that customer, and you must repay Coverall the amounts billed and advanced.

- Your Support Center will let you know when a customer has been sent a service suspension letter for not paying ("AR hold").
- And, Coverall's Collection Center will send you a letter when the billing for your customer has been stopped and when you will be charged back for cash flow advances.
Chargebacks and Paybacks

• **Chargeback**: If your customer doesn’t pay by end of third month, then the amount they didn’t pay will be taken out of your monthly gross billing.

• **Payback**: If you had a chargeback and your customer pays later, then the amount that was previously taken out will be credited on your monthly Statement.
How do I know if my customers are paying on time?

• Review Trial Statement each month
  • A “preview” of your Final Statement
  • If something is wrong or missing, tell Coverall immediately
  • If the Trial Statement is wrong, then your Final Statement will be wrong

• Review AR (Accounts Receivable) Aging Report each month
  • Shows the amounts billed to your customers and when they paid.
  • If a customer has not paid, talk with Coverall to discuss the situation.
  • Remember: Happy customers tend to pay for your services on time!
• If your Trial Statement is wrong, tell Coverall immediately
• Review AR Aging Report to track your customer invoices
• Turn in paperwork right away, not at end of month
Budgeting Exercise #2

Use Sample Aging Report and Sample Franchised Business Statement #2 for this exercise. Write answers in your Training Workbook.

Aging Report:
1. What are the payment terms for customer 501-13901? __________________
2. Is customer 501-56673 overdue? __________________
3. Is customer 501-59047 overdue? __________________
4. Discuss: What will happen if your customer doesn’t pay by the end of the third month?

Franchised Business Statement #2:
5. What is the amount billed to customer 501-59047 in January? _________________
6. How much was subtracted for a Chargeback? _________________
7. What are possible reasons for a Chargeback? _________________
8. Discuss: What could this Franchised Business do differently to improve profits?
Budgeting Exercise #3

Use **Sample Franchised Business Statement #3** for this exercise. Write answers in your Training Workbook.

1. How much January Service Billing is for Special Services? _________________

2. What Special Services were delivered? _________________

3. Why did this Franchised Business pay a Finders Fee?

4. Why is the Special Services gross amount for customer 501-30849 $280 instead of $350?

5. What % of Special Service billing is a Finders Fee? _________________

6. Why is there a credit for customer 501-59038?
Business Plan

- **Vision Statement**
  - Purpose and goals for your business

- **Business Profile**
  - Your services, customers

- **Profit and Loss Projection**
  - A one-year cash flow – example in workbook

- **Growth Plan**
  - When and how you plan to grow your business

- **Marketing and Sales**
  - Promotion and selling to new customers

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Budgeting Exercise #4

• Vision Statement
  – Business purpose?
  – Goals?

• Business Profile
  – Specialization?
  – Services?
  – Plan for success?

• Profit and Loss Projection
  – When will you start servicing?
  – How will revenue change?
  – Expenses?

• Growth Plan
  – How big do you want your business to be? By when?
  – Your role in the business?
  – How you will grow?

• Marketing and Sales
  – Strength of the Coverall brand?
  – Promoting your business?
  – Building customer satisfaction?
  – New customers?
Let’s Review

Budgeting and Tracking Finances
Review: Budgeting and Tracking Finances

1. _____ (Cash In) is payments received from your customers for your services.
2. _____ (Cash Out) are payments that you make to run your business such as Royalty and Support Fee, insurance, employee wages, employee taxes, car, cell phone, loan payments, equipment and supplies.
3. _____ - _____ Costs are costs (expenses) that you paid to start your business and form your company such as Initial Franchise Fee, Starter Kit, business licenses, cell phone, computer, printer, other office equipment.
4. _____ - _____ Costs are costs (expenses) to run your business such as car lease, loan payments, employee wages, chemicals and supplies, office supplies, taxes, gas, accountant or lawyer.
5. A promissory _____ is similar to a loan.
6. Would a Chargeback be a + (plus) or a – (minus) on the Statement? _____
7. Would a Payback be a + (plus) or a – (minus) on the Statement? _____
8. If your customer doesn’t pay by end of third month (90 days), then the amount they didn’t pay will be taken out of your monthly gross billing. This is called a _____
9. If you had a chargeback and your customer pays later, then the amount that was previously taken out will be credited on your Statement. This is called a _____
10. As part of Initial Training you are required to create a _____ plan and review it with Coverall. This document is a roadmap for how you will run your business. Your plan can help you create a realistic view of your finances, find opportunities for growth, and avoid costly mistakes.
Running your Business

RECORD KEEPING AND COMPLIANCE
Keep business records

- Businesses are faced with a lot of paperwork.
- Use any record-keeping system that works for you.
- Most important thing is to KEEP RECORDS.
- Don’t wait until tax time to find receipts and write things down.
- Make a habit of filing documents immediately.
Banking

- Get a **business license**
- Don’t mix personal and business bank accounts
- Must keep your Coverall Franchised Business records separate from any other business records
Record keeping suggestions

- File documents right away
- Use a computer
- Save every tax filing, document and communication
- Record mileage (odometer) readings for business use of your car
- Save every receipt for expenses that you or your employees incur
- Save every Coverall Franchise Statement
- Save every Coverall communication
- Make copies of paper checks
- Create a separate file folder for every customer
- Create a separate file folder for every person or company that you pay
- Keep a separate set of files for each year.
- Shred documents you no longer need
- YOUR BUSINESS FILES ARE CONFIDENTIAL
Should I hire an accountant?

- **What you might do yourself:**
  - Day-to-day bookkeeping
  - Track your income
  - Track your expenses

- **Accountant recommended:**
  - Pay your employees and submit payroll taxes
  - Tax law compliance
  - Quarterly income tax payments
  - Business compliance
  - Business advice

Coverall does not provide financial services or give specific advice regarding your personal or business finances.
Tax law compliance

- **Federal**
  - Amount paid depends on your business entity
  - Pay tax on the net profits
  - May need to make quarterly estimated tax payments

- **State and Local**
  - Tax laws vary
OSHA compliance

- OSHA = Occupational Safety and Health Administration

- OSHA mandates safety requirements such as:
  - Correct labeling of chemicals and bottles
  - Use of Personal Protective Equipment
  - Safety Data Sheets (SDS)

- OSHA requires you to keep records such as:
  - Bloodborne and Airborne Pathogens Course
  - Hepatitis B vaccination records (for certain environments)
  - Hazardous Communication Program

www.osha.gov
Other records and compliance

- **Employee records and labor law compliance such as:**
  - Payroll records
  - Other documents related to hiring others to work for your business

- **Operating records such as:**
  - Articles of Incorporation or Business Entity Declaration
  - Coverall Janitorial Franchise Agreement (JFA)
  - Tax Identification number

www.dol.gov
Let’s Review

Record Keeping and Compliance
Review: Record Keeping and Compliance

1. When it comes to organizing your business files, the most important thing is to _____ _____.
   Don’t wait until tax time to find receipts and write things down. Make a habit of filing documents immediately.

2. You may need a business _____ before starting your Franchised Business and opening your business bank account. Check with your local city and/or county to determine what you need.

3. You are required to open a business bank account in the name of your business. Never mix your business bank account with your _____ account.

4. Many business owners can do the day-to-day bookkeeping on their own, but when it comes to tax laws and business compliance, we recommend you work with a certified public _____ (CPA).

5. In addition to business taxes required by the federal government, you will have to pay some _____ and _____ taxes.

6. _____ requires that you keep and maintain records on all employee training, specifically specialized training (including Bloodborne and Airborne Pathogens training).

7. Throughout the life of your business, you will collect a large amount of _____ _____ that don’t directly relate to cash flow or employees such as Articles of Incorporation or Business Entity Declaration, Tax Identification number, and Coverall JFA. These records are important to your business and should be organized and stored in a location where they can easily be found.