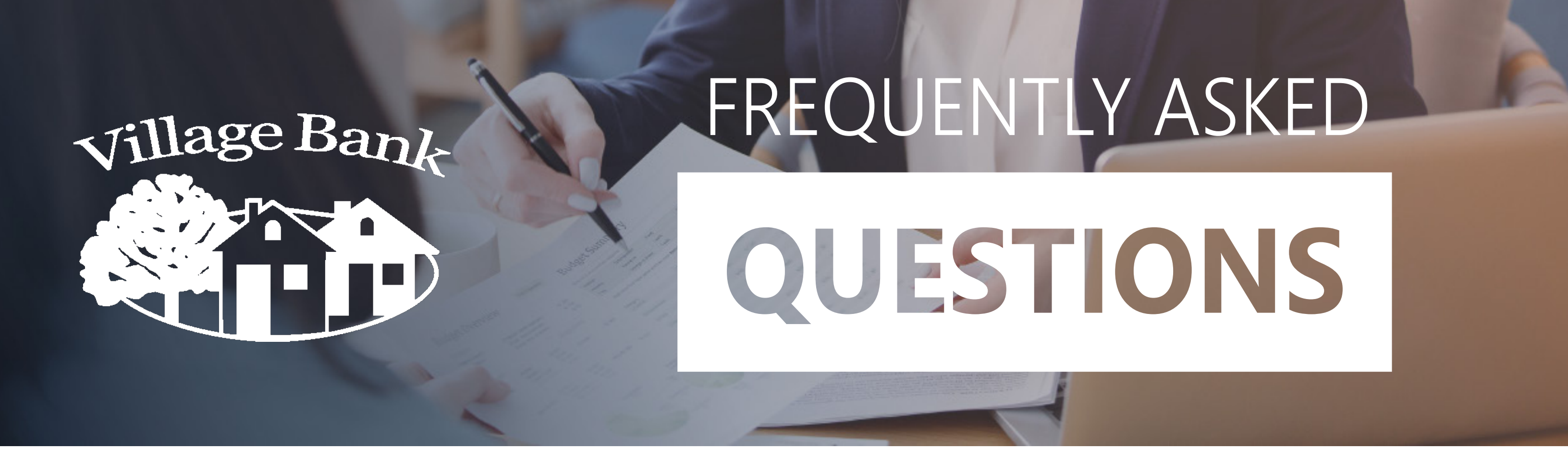

FREQUENTLY ASKED QUESTIONS

Q: What are the most common ways that people finance their businesses?

A: **Fund it themselves** – self-funding, or boot-strapping, is a common source of financing your business. Investing personal resources into a business is effective, however it has the potential to be risky and is dependent on the situation.

Kickstarter Campaigns – this type of funding (also known as crowdfunding) is not intended to be long-term funding, rather it is intended to support single, one-off ideas.

Seed money/Investors – investors can come in many shapes and sizes, from angel investors to Venture Capital (VC) funds. Other people or companies will "own" a piece of your business, and you will have a fiduciary responsibility to these investors.

Community Banks – with a good business plan, profitable projections and some of your own money in the game, community banks can help finance your business. The purpose of community banks is to help loyal businesses grow and create economic stability for their communities.

Q: Why do community banks matter to entrepreneurs?

A: Entrepreneurs are the exact reason community banks exist. We're here to help get you there. Community banks are able to work with you as a person and as a business to understand your ideas and how you're going to make them a success. Community banks ask questions and advise you on how to do your banking best to get you to your goals faster.

Developing a relationship with a community banker helps you over time. As you grow you need a bank that can grow with you. Community bankers have the time and the desire to understand your business every step of the way. They'll make recommendations as you grow on what you should be thinking about from a financial perspective and when it is time to adjust your banking products.

Q: Why a community bank?

A: Banking with a community bank will allow you to start a relationship with a locally owned and managed bank. The bank is interested in and cares about your story, your growth plans and wants to be a partner to help you get there. A community bank is typically a small business just like yours – when you succeed the bank succeeds. You and your bank have a common goal.

Q: When is a good time to open business accounts?

A: You should always separate your business expenses from your personal. Form your LLC, partnership, sole proprietorship or non-profit organization and open an account with a community bank. Developing a relationship with a business banker at the very early stages of your business is crucial to its growth and success. When you can align your business with meaningful partnerships (bankers, accountants, attorneys) you will be able to focus on growing your company.

Q: What is the difference between a credit card, line of credit and a loan?

A: As a business you will most likely need access to credit and you want to establish a credit history in the business name. Typically establishing a small business credit card is your first step. Once your business has been operating for a while and has a history and financial statements, you can establish a small line of credit. This will allow you to advance and pay down your line to help manage your cash flow. If you need to finance a specific piece of equipment or project, you would talk to your banker about a small business loan.

Q: What are typical fees for products?

A: That depends on the complexity of your accounts. Typically, when you first start your business your accounts will be free or very inexpensive. As you start adding services that add efficiencies, improve your cash flow and add convenience you will most likely see some fees. Most companies recognize that they are paying for services that add value to their businesses and help with the day-to-day banking needs.

Q: Why should I be looking at financial statements on a monthly basis?

A: As a business owner, it is important to understand your inflows and your outflows. What you have coming in and what is going out monthly. This will help you make necessary adjustments along the way. A good starting point for helpful information for business is www.sba.gov. There are many tools available free of charge. Partnering with a local community bank will be helpful as you navigate the business ownership path.

Q: What's the difference between a balance sheet and cash flow statement?

A: Basically, the balance sheet contains all a company's assets, liabilities and shareholders' equity for a period of time. The cash flow statement shows how movements in those assets, liabilities, income and expenses alter the cash position.

Q: Why do I need to understand my cash flow statement?

A: Understanding your cash flow statement is critical to managing your business. It will tell you what your cash flow needs are at any time throughout the year. Many businesses have different pressures on their cash at different times throughout the year. By knowing your cash flow needs, you're able to plan and reserve accordingly. Have a good banker and a good accountant in your corner to help you take a look at your business cycles.

Q: What do I need to open an account?

A: It's simple. You need to have a Federal Tax Id number (or your social security number if you are a sole proprietor), register with the state in which you are operating and provide your corporate documents (Articles of Organization, Partnership Agreement, Certificate of Assumed Name or, in case of a non-profit organization, your 501c3 designation).

Q: Is Village Bank compatible with accounting software like Quickbooks, etc.?

A: Village Bank is compatible with the Cloud version of QuickBooks. You can also directly upload your account activity to accounting software like QuickBooks, Quicken or Excel.

Q: What are some basic finance terms entrepreneurs should know?

A: Business owners don't have to be financial experts to be successful. However, it is important to know the basic financial terms that will come up in conversations with colleagues, potential clients and investors. By maintaining oversight of operations through financial reports and budget maintenance, a business can increase its chances of success.

Accounts Receivable - Accounts receivable (A/R) is the amount a business is owed by its clients. Usually the client is notified by invoice of the amount owed, and if not paid, the debt is legally enforceable. On a business' balance sheet, accounts receivable is often logged as an asset.

Assets - These are the economic resources a business has, including the products it has in inventory, the office furniture and supplies purchased for use, and any trademarks or copyrights it owns. These assets count toward the value of a business, since they could be sold if the business experienced difficult times.

Balance Sheet - A business' balance sheet gives a snapshot of the company's financial situation at a given moment. This includes the cash it has on hand, the notes payable it has outstanding and owner(s) equity in the business.

Bottom Line - This is the total amount a business has earned or lost at the end of the month. The bottom line is the last financial figure on a ledger. The term can also be used in the context of a business' earnings either increasing or decreasing.

Capital - Capital is money a business has in its accounts, assets and investments is known as capital. In business, there are two major types of capital: debt and equity.

Cash Flow - Your cash flow is the overall movement of funds through your business each month, including income and expenses. Businesses track general cash flow to determine long-term solvency. A business' cash flow can be determined by comparing its available cash balance at the beginning and end of a specified period.

Depreciation - Over time, a business' assets decrease in value. For tax purposes, a business can recover the cost of that depreciation through a deduction.

Expenses - Business expenses are the costs the company incurs each month in order to operate, including rent, utilities, legal costs, employee salaries, contractor pay, and marketing and advertising costs. To remain financially solid, businesses are often encouraged to keep expenses as low as possible.

Financial Report - A financial report is a comprehensive account of a business' transactions and expenses created to give a business oversight of its financial matters. A financial report may be prepared for internal use or external sources, such as potential investors.

Financial Statement - Similar to a financial report, a financial statement lists all of a business' financial activities. However, a financial statement is generally a more formal document, often issued by a lending institution.

Income Statement - Also known as a "profit and loss statement," an income statement shows the profitability of a business during a period of time. The income statement looks at a business' revenues and expenses through all of its activities.

Liabilities - This includes any debt accrued by a business in the course of starting, growing and maintaining its operations, including bank loans, credit card debts and monies owed to vendors and product manufacturers. Liabilities can be divided into two major types: current, which refers to immediate debts (e.g., money owed to suppliers), and long-term debt, which refers to liabilities (e.g., loans and accounts payable).

Valuation - When a business seeks funding from investors, those investors want to know the overall worth of that business. This is accomplished through a valuation, which is an estimate of the overall worth of the business.