Case Study | Portland Freelancers' Café: Amy and Steve's Business Idea*

In 2003, Amy Chan and Steve Lee formed a partnership to start an Internet café in Portland, Oregon. For many years, Amy and Steve had worked as freelance writers. They enjoyed bringing their laptops to local coffeehouses to complete their writing projects. Having an endless supply of good strong coffee at their disposal helped them to stay focused on their work.

Over time, they began to daydream about owning their own café. Although Portland already had many great coffee shops, Amy and Steve felt that none of them catered well to freelancers like themselves. More and more, people in Portland seemed to be doing their work in informal settings. Everywhere they turned, twenty- and thirty-somethings were sipping lattes while conducting business deals on cell phones. Amy and Steve sometimes wondered if anyone worked in a traditional office anymore.

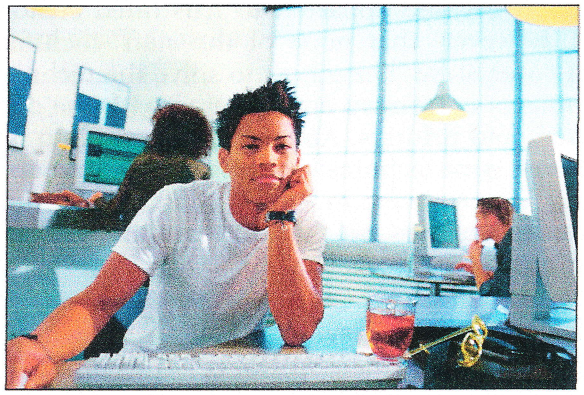
We Can Do Better

As much as they enjoyed Portland's café culture, they felt that a fatal flaw compromised each of their favorite coffee spots. One was too loud. Another had uncomfortable chairs and tables that weren't well suited for laptop users. Their particular favorite, The Magic Bean, only had three electrical outlets, which meant that only that many laptops could be plugged in at one time. Just a handful of the coffee shops in downtown Portland offered high-speed Internet access at that time.

Amy and Steve felt that they could do a better job of running a café that catered to the needs of freelancers. They made a list of everything they would want in a café, and then asked their freelance friends for additional feedback. The two partners resolved that, in their café, customers would be able to enjoy high-speed Internet access; laser printers; a soundproof, quiet room; and comfortable, up-to-date work stations. To attract their target market, Amy and Steve decided to name their business the Portland Freelancers' Café.

Deluxe Purchases

They spent $10,000 up front installing super-fast T1 Internet lines. They imported a $7,000, top-of-the-line espresso machine from Italy. To make the café look sleek and modern, all of the furniture was custom-designed for the space, as were the curved metallic ceiling and wall panels. Installing the soundproof interior room was more costly than they had anticipated. Their equipment costs totaled $25,000. At $500 per month, they had negotiated a good deal on their rent, so they figured that they could afford to splurge on these other features.


(Ryan McVay/Photodisc)

Financing

The café's start-up investment totaled $100,000. This included a $10,000 cash reserve. Amy and Steve contributed a combined $20,000 from their personal savings. Steve's brother invested another $20,000, in exchange for a 20 percent equity stake. Amy's mother wrote a check for $10,000, which she gave to the partners as a gift. Also, Amy and Steve received a $50,000 loan from Amy's uncle. The partners agreed to pay back the loan with interest at an annual rate of 12 percent.

Funding Source	Equity	Debt	Gift
Personal Savings	$20,000 (80% equity)		
Steve's Brother	$20,000 (20% equity)		
Amy's Uncle		$50,000 (@12% interest)	
Amy's Mother			$10,000
Subtotal	$40,000	$50,000	$10,000
Total Start-Up Investment	$100,000		

*Note: This is a fictional case.

Computer Glitch

Because so much money was needed for start up, Amy and Steve tried to cut costs by hiring a local high school student, who agreed to work 100 hours per month for an hourly wage of $10. It soon became apparent to frustrated customers, however, that none of the staff, including Amy and Steve, knew how to solve the technical problems customers encountered with the computers and printers. Amy and Steve tried to find a permanent technical-support person, but computer experts were in high demand at the time, and the partners felt that they couldn't afford to pay a competitive salary.

Business Troubles Brew

Before starting their business, Amy and Steve assumed that revenue would come from two primary sources, food and beverage sales and computer/Internet services. Together they had calculated two economics-of-one-unit analyses, one for each of the two sources.

Amy and Steve's EOU

The partners originally assumed that the average customer would spend $6 at the café and that $2 of this revenue would be generated by food and beverage sales. The remaining $4 would come from the sale of computer and Internet services. They believed that the business could be very successful if they did well selling computer services. After all, they could charge customers $4 for an hour of service that would only cost them 45 cents to provide. In comparison, food and beverage sales would not be nearly as profitable. For every $2 of lattes and muffins sold, they would pay $1 in direct costs.

Amy and Steve built a 5 percent manager's commission into their EOU, even though they did not yet have the funds to hire a manager. They wanted to account for this cost because they did plan to hire a manager at some point in the future, and the commission would be a real cost of doing business. It was time for Amy and Steve to examine both revenue streams together.

In Hot Water

When the Portland Freelancers' Café first opened, Amy and Steve were encouraged by how busy things seemed. The café was buzzing with customers and they received some positive reviews in the local papers. They expected to lose money at first, but figured that, in a few months' time, the business would become profitable. After three months, they had a major shock when they realized that this was not happening. What went wrong?

EOU for Food and Beverage Sales	
Average Sale per Customer	
• Food/Beverage Sales	$2.00
Variable Costs per Unit	
COGS per Unit	
• Food/Beverage Costs	1.00
TOTAL COGS per Unit	$1.00
EOU for Food and Beverage Sales	
Other Variable Costs per Unit	
Manager's Commission @ 5%	0.10
Total Variable Cost per Unit	$1.10
Contribution Margin per Unit	$0.90
EOU for Computer/Internet Services	
Average Sale per Customer	
• Computer Services	$4.00
Variable Costs per Unit	
COGS per Unit	
• Paper, Toner	0.25
TOTAL COGS per Unit	$0.25
Other Variable Costs per Unit	
Manager's Commission @ 5%	0.20
Total Variable Cost per Unit	$0.45
Contribution Margin per Unit	$3.55

Changes in the Environment

Initially, Amy and Steve's customers willingly paid $4 an hour to use the computers and high-speed Internet connection. However, soon after the grand opening, wireless Internet service became available throughout the Portland area. Within two months, the café's customers no longer wanted to pay to go online. They put pressure on Amy and Steve to become a wireless hot spot. This meant that Amy and Steve would have to foot the bill of providing free Internet service.

The partners carried out some research and learned that it would cost $300 to purchase the basic equipment for wireless Internet connectivity, plus an additional $30 per month in service fees. They had counted on charging their customers for Internet access and now it looked like *they* would have to pick up the tab. They wondered how they could pay for this unexpected cost and also make up the lost revenue. On the other hand, they feared that the Portland Freelancers' Café would not be able to compete unless they adapted to changes in the market.

EOU: Average Sale per Customer	
Average Sale per Customer	
• Computer Services	$4.00
• Food and Beverage Sales	$2.00
Variable Costs per Unit	
COGS per Unit	
• Paper, Toner	$0.25
• Food/Beverage Costs	1.00
TOTAL COGS per Unit	$1.25
Other Variable Costs per Unit	
Manager's Commission—Computer Services @ 5%	$0.20
Manager's Commission—Food and Beverage @ 5%	0.10
TOTAL Commission Costs	$0.30
Total Variable Cost per Unit	$1.55
Contribution Margin per Unit	$3.20

Amy and Steve's EOU Revisited

Three months after they opened the café, Amy and Steve discovered that their monthly unit sales of computer services had been cut by more than half. In their first month, they had sold 1,500 units, but by month three they were only averaging 600. They worried that this number would only continue to decline.

The café was holding steady with its food and beverage sales—in fact, the monthly units sold had climbed steadily from 4,500 units in month one to 5,000 in month three. Customers were enjoying the café's free wireless service. This feature created a situation where people would stay longer and order more coffee. But even with increased sales of cappuccino, the overall finances of the operation were not improving. In looking at their economics-of-one-unit analysis of food and beverage sales, the partners could see that their gross profit per unit for food and beverage sales was only 90 cents. Even if they sold 5,000 food and beverage units per month, they would still only be earning $4,500 in gross profit. In the scheme of things, this was not very much money—not nearly enough to cover the monthly fixed costs of $8,332.

An Uncertain Future

One year into their venture, Amy and Steve began to seriously doubt their decision to start the Portland Freelancers' Café. In hindsight, they realized that they knew a lot about being customers but running a state-of-the-art coffee shop was a lot harder than they had imagined.

By the end of the year, the Portland Freelancers' Café was on the verge of going out of business. Take a look at the café's financial statements in **Exhibits 8-14** through **8-17** and then analyze why this happened.

Case Study Analysis

1. Evaluate the economics-of-one-unit analysis that Amy and Steve conducted and then answer the following:
   a. Amy and Steve assumed that, for every $6 in sales, $4 would come from selling computer-related services. Calculate what percentage of their total sales revenue per unit this $4 represents.
   b. For every $2 in food and beverage sales, Amy and Steve assumed that their COGS per unit would be $1. Calculate the markup percentage.
   c. For every $4 in computer services sales, Amy and Steve assumed that their COGS per unit would be 25 cents. Calculate the markup percentage.
2. List three things that Amy and Steve should have considered doing to adapt to the changes in the environment after their customers no longer wanted to pay for Internet services and expected the café to provide free wireless connection.
3. Evaluate Amy and Steve's income statement for their first month of operation:
   a. Is the café operating at a profit or a loss?
   b. How many units above or below break-even were sold?
4. Amy and Steve decided to take on a $50,000 loan to finance their start-up investment. Each month they are paying $1,469 in interest charges. Look at their total monthly fixed costs. What percentage of their total monthly fixed costs does this $1,469 represent?
5. What is the debt-to-equity ratio of the Portland Freelancers' Café?
6. Look at each section of the café's cash flow statement. Based on what you see, write a memo highlighting three reasons why this business is not succeeding.
7. Review the café's balance sheet. Explain why the net value of the café's property and equipment has decreased from $80,000 in month one to $64,000 by year's end.

Exhibit 8-14 *Start-Up Investment and Economics of One Unit*

Start-Up Investment	
Start-Up Costs	
Soundproof Room	$15,000
Espresso Machine	7,000
High-Speed Internet Access Setup	10,000
Workstations	20,000
Supplies/Equipment	25,000
Furniture	8,000
Fixtures	5,000
Cash Reserves	10,000
Total Start-Up Investments	**$100,000**

Economics of One Unit (EOU)
Unit of Sale: Computer/Internet Services (average per customer)

Average Sale Total (Revenue)				**$4.00**
Less COGS				
Computer time		–		
Printer materials		0.25		
Total COGS		0.25	0.25	0.25
Gross Profit				**$3.75**
Less Other Variable Costs				
Commission	5% to manager	0.20		
Total Other Variable Costs		0.20	0.20	0.20
Total Variable Costs (COGS + Other VC)			0.45	
Contribution Margin				**$3.55**

Economics of One Unit (EOU)
Unit of Sale: Food and Beverage Sales (average per customer)

Average Sale Total (Revenue)				**$2.00**
Less COGS				
Food		0.80		
Beverage		0.20		
Total COGS		1.00	1.00	1.00
Gross Profit				**$1.00**
Less Other Variable Costs				
Commission	5% to manager	0.10		
Total Other Variable Costs		0.10	0.10	0.10
Total Variable Costs (COGS + Other VC)			1.10	
Contribution Margin				**$0.90**

Exhibit 8-15 *Income Statement*

The Portland Freelancers Café
INCOME STATEMENT
for the Year Ending 12/31/2011

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
No. Units Sold—Computer Services		1,500	1,000	600	550	550	500	500	450	450	450	400	400	7,350
No. Units Sold—Food and Beverage		4,500	4,750	5,000	5,100	5,200	5,300	5,400	5,500	5,600	5,700	5,800	6,000	63,850
Revenue														
Computer Service Fees		$ 6,000	$ 4,000	$ 2,400	$ 2,200	$ 2,200	$ 2,000	$ 2,000	$ 1,800	$ 1,800	$ 1,800	$ 1,600	$ 1,600	$ 29,400
Food and Beverage Sales		9,000	9,500	10,000	10,200	10,400	10,600	10,800	11,000	11,200	11,400	11,600	12,000	127,700
Total Revenue		**$15,000**	**$13,500**	**$12,400**	**$12,400**	**$12,600**	**$12,600**	**$12,800**	**$12,800**	**$13,000**	**$13,200**	**$13,200**	**$13,600**	**$157,100**
Less COGS														
Printer Mat'ls (paper, ink)		375	250	150	138	138	125	125	113	113	113	100	100	1,838
Food		3,600	3,800	4,000	4,080	4,160	4,240	4,320	4,400	4,480	4,560	4,640	4,800	51,080
Beverages		900	950	1,000	1,020	1,040	1,060	1,080	1,100	1,120	1,140	1,160	1,200	12,770
Total COGS		$ 4,875	$ 5,000	$ 5,150	$ 5,238	$ 5,338	$ 5,425	$ 5,525	$ 5,613	$ 5,713	$ 5,813	$ 5,900	$ 6,100	$ 65,688
Gross Profit		**$10,125**	**$ 8,500**	**$ 7,250**	**$ 7,163**	**$ 7,263**	**$ 7,175**	**$ 7,275**	**$ 7,188**	**$ 7,288**	**$ 7,388**	**$ 7,300**	**$ 7,500**	**$ 91,413**
Less Other Variable Costs														
Commission, Computer	(5%)	300	200	120	110	110	100	100	90	90	90	80	80	1,470
Commission, Food/Bev.	(5%)	450	475	500	510	520	530	540	550	560	570	580	600	6,385
Total Other Variable Costs		$ 750	$ 675	$ 620	$ 620	$ 630	$ 630	$ 640	$ 640	$ 650	$ 660	$ 660	$ 680	$ 7,855
Total Var. Costs (COGS + Other VC)		5,625	5,675	5,770	5,858	5,968	6,055	6,165	6,253	6,363	6,473	6,560	6,780	73,543
Contribution Margin*		**$ 9,375**	**$ 7,825**	**$ 6,630**	**$ 6,543**	**$ 6,633**	**$ 6,545**	**$ 6,635**	**$ 6,548**	**$ 6,638**	**$ 6,728**	**$ 6,640**	**$ 6,820**	**$ 83,558**

* Remember: Revenue – COGS = Gross Profit – Other Variable Costs = Contribution Margin.

(continued)

Exhibit 8-15 *(Continued)*

The Portland Freelancers Café
INCOME STATEMENT
for the Year Ending 12/31/2011

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
Less Fixed Costs (USAIIRD)														
Utilities														
Electricity		150	150	150	150	150	150	150	150	150	150	150	150	1,800
Gas		250	250	250	250	250	250	250	250	250	250	250	250	3,000
Water		100	100	100	100	100	100	100	100	100	100	100	100	1,200
Telephone		75	75	75	75	75	75	75	75	75	75	75	75	900
High-Speed Internet		425	425	425	425	425	425	425	425	425	425	425	425	5,100
Wireless Internet Service		30	30	30	30	30	30	30	30	30	30	30	30	360
Total Utilities		$1,030	$1,030	$ 1,030	$ 1,030	$ 1,030	$ 1,030	$ 1,030	$ 1,030	$ 1,030	$ 1,030	$ 1,030	$ 1,030	$ 12,360
Salaries														
Amy & Steve Salary		1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
Tech Support (Part time)		1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
Total Salaries		$2,000	$2,000	$ 2,000	$ 2,000	$ 2,000	$ 2,000	$ 2,000	$ 2,000	$ 2,000	$ 2,000	$ 2,000	$ 2,000	$ 24,000
Advertising		1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
Insurance		500	500	500	500	500	500	500	500	500	500	500	500	6,000
Interest		1,469	1,469	1,469	1,469	1,469	1,469	1,469	1,469	1,469	1,469	1,469	1,469	17,628
Rent		1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
Depreciation		1,333	1,333	1,333	1,333	1,333	1,333	1,333	1,333	1,333	1,333	1,333	1,333	15,996
Total Fixed Costs		$8,332	$8,332	$ 8,332	$ 8,332	$ 8,332	$ 8,332	$ 8,332	$ 8,332	$ 8,332	$ 8,332	$ 8,332	$ 8,332	$ 99,984
Pre-Tax Profit		**$1,043**	**($507)**	**($1,702)**	**($1,790)**	**($1,700)**	**($1,787)**	**($1,697)**	**($1,785)**	**($1,695)**	**($1,605)**	**($1,692)**	**($1,512)**	**($16,427)**
Taxes	(20%)	209	—	—	—	—	—	—	—	—	—	—	—	—
Net Profit		**$ 834**	**($507)**	**($1,702)**	**($1,790)**	**($1,700)**	**($1,787)**	**($1,697)**	**($1,785)**	**($1,695)**	**($1,605)**	**($1,692)**	**($1,512)**	**($16,427)**

Exhibit 8-16 *Cash Flow Statement*

The Portland Freelancers Café
CASH FLOW STATEMENT
for the Year Ending 12/31/2011

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
Number of Units—													
Computer Services	**1,500**	**1,000**	**600**	**550**	**550**	**500**	**500**	**450**	**450**	**450**	**400**	**400**	**7,350**
Number of Units—													
Food & Beverage Sales	**4,500**	**4,750**	**5,000**	**5,100**	**5,200**	**5,300**	**5,400**	**5,500**	**5,600**	**5,700**	**5,800**	**6,000**	**63,850**
Cash Flow from Operating:													
Cash Inflows:													
Computer Usage Fees	$ 6,000	$ 4,000	$ 2,400	$ 2,200	$ 2,200	$ 2,000	$ 2,000	$ 1,800	$ 1,800	$ 1,800	$ 1,600	$ 1,600	$ 29,400
Food and Beverage Sales	9,000	9,500	10,000	10,200	10,400	10,600	10,800	11,000	11,200	11,400	11,600	12,000	127,700
Total Cash Inflows	**$15,000**	**$13,500**	**$ 12,400**	**$12,400**	**$12,600**	**$12,600**	**$12,800**	**$12,800**	**$13,000**	**$13,200**	**$13,200**	**$13,600**	**$157,100**
Cash Outflows:													
Variable Costs													
COGS	$ 4,875	$ 5,000	$ 5,150	$ 5,238	$ 5,338	$ 5,425	$ 5,525	$ 5,613	$ 5,713	$ 5,813	$ 5,900	$ 6,100	$ 65,688
Other Variable Costs	$ 750	$ 675	$ 620	$ 620	$ 630	$ 630	$ 640	$ 640	$ 650	$ 660	$ 660	$ 680	$ 7,855
Utilities													
Electricity, Gas, Water, Telephone	$ 500	$ 500	$ 500	$ 500	$ 500	$ 500	$ 500	$ 500	$ 500	$ 500	$ 500	$ 500	$ 6,000
High-Speed Internet Access	425	425	425	425	425	425	425	425	425	425	425	425	5,100
Wireless Internet	30	30	30	30	30	30	30	30	30	30	30	30	360
Salaries													
Part-Time Tech Support Salary	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 12,000
Amy and Steve's Salary	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 12,000
Advertising	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 12,000
Insurance	$ 500	$ 500	$ 500	$ 500	$ 500	$ 500	$ 500	$ 500	$ 500	$ 500	$ 500	$ 500	$ 6,000
Interest Expense	$ 1,469	$ 1,469	$ 1,469	$ 1,469	$ 1,469	$ 1,469	$ 1,469	$ 1,469	$ 1,469	$ 1,469	$ 1,469	$ 1,469	$ 17,623
Rent	$ 1,000	$ 1,001	$ 1,002	$ 1,003	$ 1,004	$ 1,005	$ 1,006	$ 1,007	$ 1,008	$ 1,009	$ 1,010	$ 1,011	$ 12,000
Total Cash Used in Operating Activities	**$ 12,549**	**$ 12,600**	**$ 12,696**	**$ 12,784**	**$ 12,895**	**$12,983**	**$13,095**	**$13,183**	**$13,294**	**$13,405**	**$13,494**	**$13,715**	**$156,626**
Net Cash Flow from Operating	**$ 2,451**	**$ 900**	**($ 296)**	**($ 384)**	**($ 295)**	**($ 384)**	**($ 295)**	**($ 383)**	**($ 294)**	**($ 205)**	**($ 294)**	**($ 115)**	**($ 474)**

(continued)

Exhibit 8-16 *(Continued)*

The Portland Freelancers Café
CASH FLOW STATEMENT
for the Year Ending 12/31/2011

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
Cash Flow Out from Investing:													
Soundproof Room	$ 15,000	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 15,000
Espresso Machine	7,000	0	0	0	0	0	0	0	0	0	0	0	7,000
High-Speed Internet Access Setup	10,000	0	0	0	0	0	0	0	0	0	0	0	10,000
Workstations	20,000	0	0	0	0	0	0	0	0	0	0	0	20,000
Supplies/Equipment	25,000	0	0	0	0	0	0	0	0	0	0	0	25,000
Furniture	8,000	0	0	0	0	0	0	0	0	0	0	0	8,000
Fixtures	5,000	0	0	0	0	0	0	0	0	0	0	0	5,000
Net Cash Flow Out from Investing	**$ 90,000**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 90,000**
Financing:													
Cash Received from Uncle (12% APR)	$ 50,000	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 50,000
Cash Received from Brother	20,000	0	0	0	0	0	0	0	0	0	0	0	20,000
Cash Received from Mother	10,000	0	0	0	0	0	0	0	0	0	0	0	10,000
Cash Received from Personal Savings	20,000	0	0	0	0	0	0	0	0	0	0	0	20,000
Net Cash Flow In from Financing	**$100,000**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$100,000**
Net Increase (Decrease) in Cash	$ 12,451	$ 900	($ 296)	($ 384)	($ 295)	($ 384)	($ 295)	($ 383)	($ 294)	($ 205)	($ 294)	($ 115)	$ 10,474
Cash, Beginning:	**$ 10,000**	**$22,451**	**$23,351**	**$22,055**	**$22,671**	**$22,376**	**$21,992**	**$21,697**	**$20,314**	**$20,020**	**$20,815**	**$20,521**	**$ 10,000**
Cash, End:	**$ 22,451**	**$23,351**	**$22,055**	**$22,671**	**$22,376**	**$21,992**	**$21,697**	**$20,314**	**$20,020**	**$20,815**	**$20,521**	**$20,406**	**$ 20,474**

Exhibit 8-17 *Balance Sheet*

Portland Freelancers Café
BALANCE SHEET
for the Year Ending 12/31/2003

	Opening	Closing
ASSETS		
Current Assets:		
Cash	$110,000	$20,474
Accounts Receivable	0	0
Total Current Assets	**$110,000**	**$20,474**
Fixed Assets (Property and Equipment):		
Soundproof Room	$ 15,000	$15,000
Espresso Machine	2,000	2,000
Workstations	30,000	30,000
Supplies/Equipment	25,000	25,000
Furniture	3,000	3,000
Fixtures	5,000	5,000
Total Property and Equipment	**$ 80,000**	**$80,000**
Less Accumulated Depreciation	**$ 0**	**$15,996**
Total Property and Equipment (Net)	**$ 80,000**	**$64,004**
Total Assets	**$190,000**	**$84,478**
LIABILITIES AND OWNER'S EQUITY		
Current Liabilities:		
Accounts Payable	$ 0	$ 0
Total Current Liabilities	**$ 0**	**$ 0**
Long-Term Liability (Uncle's Loan)	**$ 50,000**	**$32,377**
Total Liabilities	**$ 50,000**	**$32,377**
Owner's Equity	**$140,000**	**$52,101**
Amy	40%	40%
Steve	40%	40%
Steve's Brother	20%	20%
Total Liabilities and Owner's Equity	**$190,000**	**$84,478**