



Johns Creek

ADVANTAGE

Start-Up Checklist

Congratulations on starting your entrepreneurial journey!

This checklist is a guide to get you starting off in the right direction.

Please do not hesitate to contact JCA with any questions along your journey:

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STEP 1: CREATE A COMPANY NAME

Creating a name can be a difficult part of your entrepreneurial journey. Try to pick something that defines what you will be doing or create a word that is undefined, for you to brand.

Being creative & different is the key to this step.

Bounce the idea off a few friends, mentors, or trusted peers.

Acronym names are fairly common in companies (IBM, GE, etc.). If you choose to use an acronym as your company name, be aware of an acronym that is too close to a competitor's.

Make sure your company name is available for you to incorporate. Although you will not be incorporating until Step 5, you need to make sure it is available now, while you are thinking of names. (A quick visit to your state incorporation commission's online directory is all that you will need to do.)

STEP 2: REGISTER YOUR COMPANY'S DOMAIN NAME

This will be the easiest step on the list! Once you have picked your company name, you need to register it for use on the internet.

You can register the entire name, an acronym or even a derivative of it as a domain name. Keep in mind that this will be your future website address & email address (you@yourcompany.com).

Practically any domain registrar or web hosting company will do.

Consider registering additional domain names using different variations of your company's name and/or using different extensions (.com and .net). These alternative domains can be pointed to your primary domain at your discretion.

Do not forget that Facebook, LinkedIn, and Twitter are all FREE marketing tools! If your business is one that might use them, go ahead and register to "lock in" your company name, before someone else does.

This may be combined with Step 10, but it is not necessary.

STEP 3: DETERMINE THE BEST BUSINESS ENTITY TYPE

This is not really that daunting!

Below is a list & brief summary of each entity type. This is just a brief overview. We recommend that you visit the SBA's website for more details about each type of business entity.

<https://www.sba.gov/category/navigation-structure/starting-managing-business/starting-business/choose-your-business-stru>

Sole Proprietorship

A sole proprietorship is the simplest and most common structure chosen to start a business. It is an unincorporated business owned and run by one individual with no distinction between the business and you, the owner. You are entitled to all profits and are responsible for all your business's debts, losses and liabilities.

Limited Liability Company

A limited liability company is a hybrid type of legal structure that provides the limited liability features of a corporation and the tax efficiencies and operational flexibility of a partnership.

The "owners" of an LLC are referred to as "members." Depending on the state, the members can consist of a single individual (one owner), two or more individuals, corporations or other LLCs.

Unlike shareholders in a corporation, LLCs are not taxed as a separate business entity. Instead, all profits and losses are "passed through" the business to each member of the LLC. LLC members report profits and losses on their personal federal tax returns, just like the owners of a partnership would.

Cooperative

A cooperative is a business or organization owned by and operated for the benefit of those using its services. Profits and earnings generated by the cooperative are distributed among the members, also known as user-owners.

Typically, an elected board of directors and officers run the cooperative while regular members have voting power to control the direction of the cooperative. Members can become part of the cooperative by purchasing shares, though the amount of shares they hold does not affect the weight of their vote.

Cooperatives are common in the healthcare, retail, agriculture, art and restaurant industries.

Corporation (C Corporation)

A corporation (sometimes referred to as a C corporation) is an independent legal entity owned by shareholders. This means that the corporation itself, not the shareholders that own it, is held legally liable for the actions and debts the business incurs.

Corporations are more complex than other business structures because they tend to have costly administrative fees and complex tax and legal requirements. Because of these issues,

corporations are generally suggested for established, larger companies with multiple employees.

For businesses in that position, corporations offer the ability to sell ownership shares in the business through stock offerings. "Going public" through an initial public offering (IPO) is a major selling point in attracting investment capital and high quality employees.

Partnership

A partnership is a single business where two or more people share ownership.

Each partner contributes to all aspects of the business, including money, property, labor or skill. In return, each partner shares in the profits and losses of the business.

Because partnerships entail more than one person in the decision-making process, it's important to discuss a wide variety of issues up front and develop a legal partnership agreement. This agreement should document how future business decisions will be made, including how the partners will divide profits, resolve disputes, change ownership (bring in new partners or buy out current partners) and how to dissolve the partnership. Although partnership agreements are not legally required, they are strongly recommended and it is considered extremely risky to operate without one.

Types of Partnerships

- General Partnerships assume that profits, liability and management duties are divided equally among partners. If you opt for an unequal distribution, the percentages assigned to each partner must be documented in the partnership agreement.
- Limited Partnerships (also known as a partnership with limited liability) are more complex than general partnerships. Limited partnerships allow partners to have limited liability as well as limited input with management decisions. These limits depend on the extent of each partner's investment percentage. Limited partnerships are attractive to investors of short-term projects.
- Joint Ventures act as general partnership, but for only a limited period of time or for a single project. Partners in a joint venture can be recognized as an ongoing partnership if they continue the venture, but they must file as such.

S Corporation

An S corporation (sometimes referred to as an S Corp) is a special type of corporation created through an IRS tax election. An eligible domestic corporation can avoid double taxation (once to the corporation and again to the shareholders) by electing to be treated as an S corporation.

An S corp is a corporation with the Subchapter S designation from the IRS. To be considered an S corp, you must first charter a business as a corporation in the state where it is headquartered. According to the IRS, S corporations are "considered by law to be a unique entity, separate and apart from those who own it." This limits the financial liability for which

you (the owner, or "shareholder") are responsible. Nevertheless, liability protection is limited - S corps do not necessarily shield you from all litigation such as an employee's tort actions as a result of a workplace incident.

What makes the S corp different from a traditional corporation (C corp) is that profits and losses can pass through to your personal tax return. Consequently, the business is not taxed itself. Only the shareholders are taxed. There is an important caveat, however: any shareholder who works for the company must pay him or herself "reasonable compensation." Basically, the shareholder must be paid fair market value, or the IRS might reclassify any additional corporate earnings as "wages."

STEP 4: THE BUSINESS PLAN

Time to answer some hard questions:

- (1) Why will you be in business/what service are you going to provide?
- (2) What makes your company different from all the rest? What is your expertise?
- (3) Who is your customer? Why will they pay you?
- (4) How will you be organized? Will you be the CEO and will you have any partners?
- (5) Where do you see the company in 3 years? How many employees will you have?

These questions are the foundation for your business plan. You'll need this information for the next step.

Most business plans focus heavily on financials. Do not do this yet - it will be taken care of at a later step.

There is a business plan template on our website, [click here](#) & go to Step 4.

As you work through this checklist, most of the information you will complete can be placed directly into the business plan template.

STEP 5: INCORPORATE

You have 3 options:

1. Hire a lawyer;
2. Use an online incorporation service company & transfer your registered agent to a local lawyer (our yourself) within a year after incorporation; or
3. Download the form for your state (called Articles of Organization) and mail them in with the annual registration fee (usually \$100).

If you use an online service they will offer the option of expediting your Federal Tax ID Number (a.k.a. Employer Identification number or EIN) application, for an additional fee.

You can get your EIN online for free (see Step 6).

Take one last look with your state corporation commission's online directory to make sure your company name is still available.

It takes a few weeks to receive your Certificate of Organization from the state, & you do not want to wait that long to complete the next steps. If you are in a hurry you can apply for expedited service from the State of Georgia from a nominal fee.

STEP 6: GET AN EMPLOYEE IDENTIFICATION NUMBER (EIN)

An EIN is a nine-digit number assigned to sole proprietors, corporations, LLCs, partnerships, estates, trusts, and other entities for tax filing & reporting purposes.

Visit the IRS's website at www.irs.gov to apply online.

STEP 7: CREATE A COMPANY LOGO

Take this step seriously - a logo is very important.

Think about outsourcing the creation of your logo to a graphic artist or firm that specializes in providing this type of service.

We recommend spending the time to identify other logos or graphics that appeal to you & use them as examples, if you choose to outsource.

We also recommend working on Steps 8 - 10 at the same time, as a logo can take some time to create.

STEP 8: CALCULATE YOUR LABOR RATES

As you plan to sell your services to your potential clients, this important step will better determine your revenue for the foreseeable future. Your labor rates include your base salary, overhead, fringe, G & A and profit percentage.

Before you start on the labor rate worksheet, you need to first determine what the "average" labor rate is for your service offering. Search the internet for the position and make a list of at least ten labor rates. When conducting your internet search make sure you look at rate with similar education and experience to the position you are searching for.

Once you find at least ten comparable rates, average them. A strategy to consider is pricing yourself 8-10% under the "average" you calculated. There is a sample labor rate worksheet in the Appendix: Exhibit B.

The areas you can change in your labor work sheet to come up with the labor rate you may need are: Salary, Fringe, Overhead, & Hourly Base.

- Salary: keep within industry norms.
- Fringe: Generally between 20% - 50%, which includes items such as tuition reimbursement, retirement plan contributions, group health insurance, etc.
- Overhead: Try to keep this between 30-40%, your overhead rate will be your distinguishing factor from your competitors.
- Hourly Base: Based on the amount of holiday & vacation and other time off you provide.

In case you need to offer a discounted rate to a future customer, the reference is included in the worksheet. You will also see a cost calculator in the worksheet. This is in case a customer asks what the annual cost of your labor would be for their budgeting purposes.

Note:

- There are two often referenced percentages you may be asked about: "overhead" & "multiple." As mentioned above, your overhead should be 30-50%.
- Your multiple is the difference between your employee's unburdened hourly rate (their salary divided by the number of hours in the year) and the fully burdened rate (the price you charge the customer for their services).
- You should never mention your multiple to a customer, that number should be used only for internal purposes. You can discuss it with your strategic partners when negotiating a subcontract rate, but only if they ask.

STEP 9: BUILD A BASELINE OPERATING BUDGET

Please note: there is a sample budget document, which is referred to below on our website: [click here](#) & go to Step 9.

There are 3 tabs & each represent a different stage of your business. You can adjust the operating budget as needed to accommodate changes such as number of employees, lease, travel, etc. The expenses included are a sample of expenses you may incur.

The operating budget is based on your current expenses & you should update it regularly. This worksheet will help you determine the health of your company as you grow.

Other things to consider:

- Pay close attention to your operating expenses as a percentage of your gross revenue. The lower the number is, the leaner your company is performing. Target a percentage below 30%.
- Your pre-tax net can be distributed to employees in the form of annual bonuses, spot recognitions, paid vacations, whatever. The lower your operating expenses, the more choices you have in sharing that revenue with your employees.
- The general rule of thumb for overhead personnel is 5:1. Meaning, you should be able to comfortably afford an overhead position (receptionist, non-billable manager, etc.) for every five billable positions.
- Do not hire an overhead position immediately just to lighten your workload. Build up a financial cushion so you will have the option of covering your employees' salaries should one of them lose a contract. How long you cover them is completely up to you and your company's policies.

STEP 10: FIND A WEBSITE HOST & BUILD A WEBSITE

Although your initial website will most likely be a brochure styled website, a place for customers to go to learn more about you, it should look professional. Remember your website is most likely your first impression to potential clients.

Many web hosting companies have templates or automated website building tools to get your first site up & running. If you outsource website development, the developer can recommend hosting services.

As you gain visibility & revenue, we recommend you outsource this work to enhance your marketing efforts.

STEP 11: BUILD INITIAL MARKETING MATERIAL

You now have all of the prerequisites necessary to create your first marketing materials.

The four basic marketing necessities are:

1. Business Cards (includes company name, logo and website)
2. Letterhead (includes company name and logo)
3. Fact Sheet (includes company name, logo, website, mission, and labor categories)
4. Folders (includes company name and logo)

There are many variations of a fact sheet. See our website for a sample Fact Sheet: [click here](#) & go to Step 11.

The purpose of the fact sheet is to provide literature about your business to your potential clients. You don't want to show up empty handed on your first visit!

Other things to consider:

- When constructing marketing materials, consistency is a key element. Ensure the same colors, font, and overall style are used throughout the various documents created. Be creative and use what makes sense for your industry.
- You save up-front costs by printing letterhead yourself. Just make sure you use high-quality printer settings and paper (at least 28lb).
- If you choose to use a presentation folder for your prospects, you can save up front costs by purchasing only what you need and by seeking a professional-looking alternative, such as high quality folders sold at office supply stores.
- Some of our entrepreneurs have also created a one page background sheet to include with their print materials. The background sheet will provide more detailed information not presented on your fact sheet, such as circumstances leading to the creation of your company and your vision. Your website (previous step) will contain all the information you need for your background sheet.

STEP 12: DECIDE WHERE YOU WANT TO OPERATE YOUR BUSINESS

Will you be operating your business from home or will you be looking for a space to lease or purchase?

There are certain requirements for businesses being operated out of a home, townhome, apartment or other residential property. These requirements are on our website, [click here](#) & go to Step 12.

If you are looking at space to lease or purchase, please do not sign a contract or a lease without looking at the zoning of the property!

You must verify that the physical business location is properly zoned to allow the proposed use of the property. The Zoning Map, [access it by clicking here](#), shows both the zoning and street names. Review Appendix A of the Zoning Ordinance, [access it by clicking here](#), to make sure the proposed use is a principal permitted use.

Please NOTE, that every property in Johns Creek is conditionally zoned. This means, that while the general zoning classification allows a set list of uses, some of those uses may be prohibited on the piece of property (this is done while the property is going through a rezoning process, at a public hearing). We will always advise that you contact the Planning Department, (678) 512-3307, to make sure your business use is allowed on the property, PRIOR to signing a lease!

Prospective business owners can obtain written confirmation of the zoning of a business location. A Zoning Certification Letter will provide a general description of the zoning district, references to any applicable zoning, and the zoning history related to the current zoning entitlements as some properties may have zoning conditions that may restrict or even prohibit certain principal or accessory uses. [Click here to find out how to request a Zoning Certification Letter.](#)

If the zoning of the property does not permit the proposed use, a Rezoning Request will need to be approved prior to issuance of a business license. These applications require the property owner's approval and require the submittal of a complete application for review and recommendation by the Planning Department. Public Hearings by the Planning Commission and Mayor and Council are conducted to consider the application. This is a minimum 120 day process, so please plan accordingly. [Click here to find out more about the rezoning process.](#)

Once you have found a physical location for your business, and it meets the zoning requirements, you need to look at the lease provisions and the physical attributes of the property to make sure it will truly meet your business needs.

JCA has access to all of the available properties for sale or lease within Johns Creek. If you have any questions please let us help you. We can also walk you through any of the zoning information that you have questions about. Call JCA at (470) 375-7524. Another great resource is the Planning Department, (678) 512-3307.

STEP 13: GET YOUR BUSINESS LICENSE

This step has multiple steps within it. If you feel as if you have come to a hurdle, do not panic as JCA can help you through each one of these steps!

Step 12-1. Verify Business Location is in City Limits

In order to apply for and obtain an Occupational Tax Certificate (business license) from Johns Creek, you must verify the physical business address is in the Municipal City limits of Johns Creek. There is no zip code for Johns Creek. Instead Johns Creek encompasses areas of the following zip codes: 30005, 30022, 30024, 30076, & 30097. Just because your address says Duluth, Alpharetta, Suwanee or Roswell, it may still be within the city limits of Johns Creek, so be sure to check!

Review the City of Johns Creek's maps, [click here for the Confirm Your Address map](#), or call the Planning Department (678-512-3307) to have your location confirmed.

Step 12-2. Determine if a State License is Needed

Check the [Professional Licensing Boards Division of the Secretary of State](#) to see if you or your business must apply for or renew additional licensing.

Check the Georgia Department of Human Resource, Office of Regulatory Services if you plan to operate a primary health care, long-term care (personal care homes) or residential child care programs.

Step 12-3. Obtain Building Permit if Needed

Before making any non-cosmetic modifications, changes to the structure or interior space, or commencing demolition or construction you need to obtain a Building Permit. [Click here to learn more about whether or not a building permit is needed and the process.](#)

The Occupation Tax Certificate (Business License) will be issued upon successful completion of all required inspections, including all final inspections for Certificate of Occupancy.

Step 12-4. Obtain Fire Plan Review

If your proposed business location does not require a Building Permit for modifications or changes to the structure or interior space, you must obtain a Certificate of Occupancy from Office of the Fire Marshall. Please contact the Fire Marshal's office at (678.512.3363) or [review the C.O. procedures here](#).

Step 12-5. Obtain a U.S. Citizen / Qualified Alien Affidavit

As required by Official Code of Georgia 50-36-1(e), all businesses, corporations, LLCs and partnerships making application for an Occupational Tax Certificate (Business License) in the City of Johns Creek will be required to submit a signed, notarized U.S. Citizen / Qualified Alien Affidavit.

Step 12-6. Georgia Department of Revenue Sales & Use Reporting

In accordance with O.C.G.A. 48-13-20.1, any person who performs any business, occupation or professional subject to an occupation tax or regulatory fee under O.C.G.A. 48-13-1 et seq., is required to provide the City of Johns Creek information when paying such occupation tax or regulatory fee.

Step 12-7. Application for Occupation Tax Certificate (Business License)

Packets containing all the forms and applications needed to apply for a Occupation Tax Certificate (Business License) may be viewed and downloaded below:

[Business License Packet \(for a NEW Business\)](#)

[Business License Packet \(for Renewal\)](#)

Please note:

- Renewal Information for Existing Businesses. All Occupation Tax Certificates (Business Licenses) expire on December 31st of each year. A 3-month renewal period begins January 1st and runs through March 31st.
- If you are planning to operate a home-based business, please see Section 4.12 of the City Code.

For Food Service Establishment there are additional requirements:

- The building permit plan will have to go through Fulton County's Department of Health plan review PRIOR to being submitted to Johns Creek for review. *Note: Fulton County's review can take 4 – 6 weeks, so please plan accordingly.*
- Alcohol Sales require a City and a State License – *the State review process can take 8 weeks!* [Click here for the City Application.](#)

STEP 14: ESTABLISH A BUSINESS BANK ACCOUNT

Shop around for a bank. This is important: do not use a personal bank account for your business. Your accountant will thank you when he or she does bank statement reconciliations. Many banks cater specifically to small businesses.

Once you've decided on a bank, you will need to bring the following items to open the account:

1. \$100-\$200 deposit
2. Articles of Incorporation (Step 5)
3. EIN (Step 6)
4. Personal Identification

Other things to consider:

- Choose a bank where you feel comfortable. You will be visiting them quite often, so you should enjoy your trips to their particular branch. Many entrepreneurs chose their bank based on how they were treated by the local branch.
- A trip to the bank (can be accomplished the same day as Step 12, get a Business License)

STEP 15: GET AN ACCOUNTANT

We are a big believer in outsourcing anything not part of your core competency. Accounting is a very important part of your business and should be done by a professional. An accountant can help you manage monthly bank account reconciliations, balance sheets and profit-loss statements, allowing you to focus on growing your business. He or she can also keep you apprised of the latest IRS rules and regulations concerning corporations and LLCs, and will also file your annual income tax statements.

Find a good accountant through word of mouth and interview at least three.

Consider:

- You don't necessarily have to start paying the monthly retainer until you start generating revenue. Because we believe this is such an important step, we placed it before you started work so you wouldn't feel rushed. Start establishing a relationship now.

STEP 16: FIGURE OUT YOUR NORTH AMERICAN INDUSTRY CLASSIFICATION SYSTEM NUMBER (NAICS)

Your NAICS number will determine your small business classification. For example, if your business mission is building inspection services, your NAICS number is 541350. The small business size standard for this NAICS is \$6.5 Million in annual revenue (you cannot exceed that amount and still be qualified as a small business for government set-aside purposes). You can research applicable NAICS numbers (you can have more than one) at www.census.gov/eos/www/naics/. You will need your NAICS number(s) to complete the next step.

Note: If you have more than one, make sure you identify one NAICS number as your primary.

STEP 17: SUBMIT A PRESS RELEASE

This is an optional step some entrepreneurs complete to help establish name recognition. It's free advertising, and lets everyone know that you are open for business.

You must have an acceptable reason for a press release and our customers have routinely used these two: to announce a move (you can announce your "new" headquarters) or a promotion (you can promote yourself).

We've included very simple but effective examples that have been tested and work, on our website. [Click here](#) & go to Step 17 for the templates.

You may choose to send press releases to the following:

[Atlanta Journal Constitution](#)

[Johns Creek Herald](#)

[Johns Creek Patch](#)

[Johns Creek Neighbor](#)

[The Johns Creek Post](#)

[The Atlanta Business Chronicle](#)

STEP 18: FOLLOW UP WITH OR FIND YOUR CUSTOMER

Entrepreneurs seem to take one of two paths once they reach this step: they either re-engage with a customer they had previously identified or they begin their marketing campaign, after they have everything established. The latter admittedly takes a little longer, but again, we've seen both models work.

If you fall into the first category and created your company because you already had a relationship with a potential client, now is the time to inform them you are ready to start. They may ask you to produce a "white paper" or other type of document outlining exactly what type of support you plan to provide.

If approved, they may request a proposal, do not be alarmed, the RFP will look remarkably like the white paper you originally submitted! (See Step 20 for the proposal template).

Once the proposal is submitted and approved, it should be signed and filed for your records. Then, and not until then, are you ready to start work. It may sound daunting, but that entire process can be accomplished in about two weeks.

If you fall into the second category and are ready to start identifying your first client, then we recommend these approaches.

Contact your local companies and let them know you are available. If there is not an immediate need for your services, they now know you exist may contact you when a need arises. It may not hurt to follow-up with them every few of weeks or so, just to say "hi." This is where your marketing material comes in handy; the information on your company fact sheet is exactly what they need.

Identify current job openings listed on companies' websites. If a job opening matches your company's service offering, contact the company and offer to fill that position. Chances are you will get one of three responses:

1. "No Thanks"
2. "We don't have anything available right now, but let me pass you to the person who handles that so we can put your information on file in case anything comes up and we need your services."
3. "Sounds like a possible option for us. Let's sit down and talk about it."

Identify current job openings listed on internet job listing sites and, as above, simply ask if they would be willing to discuss filling the position with a small business or subcontractor.

Search for subcontracting opportunities directly from the Small Business Association (SBA). It's hit or miss regarding how many prime contractors post their requirements with the SBA, but it doesn't hurt to browse through the site. You can navigate by state.

Consider:

- When you contact a large business, make sure they are aware of your credentials (small, veteran-owned, woman-owned, etc.). Even though they may not need you to fill the position you inquired about, they may still need small businesses with your skills and socio-economic status for other potential work.

STEP 19: GET BUSINESS INSURANCE

You need business insurance before you can begin work. Your client may dictate the minimum insurance requirements. Good places to start (and shop around) for policies are individual insurance brokers (listed in the yellow pages) that will act as a one-stop-shop for all of your business insurance requirements. You can also solicit insurance services companies directly.

Although your requirements may vary, based on our experience, the standard coverage is the following:

- Errors and Omissions: \$1M (Special insurance for consulting firms)
- Professional Liability: \$1M Per Occurrence/Aggregate
- Automobile Liability: \$1M Each Accident / Combined Single Limit
- Workers Comp: \$1M Each Accident (and policy limit)
- Business Liability:
 - \$1M Each Occurrence
 - \$300K Fire Damage
 - \$10K Medical Expenses per person
 - \$1M Personal Injury
 - \$2M General Aggregate
 - \$2M Comprehensive

Your total annual insurance cost starting out will be approximately \$4,500 per year.

Note: Errors and Omissions is the most expensive (about 80% of the premium). Depending on your business type, you may not need Errors and Omissions insurance.

STEP 20: CONTRACTS ADMINISTRATION

Ah, the fun stuff paperwork! As you negotiate your subcontract agreement with your client, there are certain expected steps and they all require paperwork.

Non-Disclosure Agreement

The first thing you and your prime will do together is sign a Non-Disclosure Agreement (NDA). If you are bringing an opportunity to a potential business partner, this protects you from inadvertent release of that information to other companies. If your client or business partner has an opportunity that they need you to fill, it protects them from you releasing that information to a competitor. Most likely, they will provide the NDA for you to sign. If they don't, and you're discussing a business opportunity, then it's OK for you to present one for their signature. Carry them with you, you won't insult them. Both parties should leave

the meeting with a signed copy. NDAs are very common in the business world. We have included a sample template below.

Teaming Agreement

After you and business partner have agreed to team together for an opportunity, you will both sign a teaming agreement. This protects each party and keeps each team member from finding another partner. We've seen different variations of teaming agreements used from company to company, but they all pretty much say the same thing. There is a sample teaming agreement included below.

Proposal

The process of being placed on a contract was alluded to in Step 18, Follow-up with a friend or Find a client. You will most likely receive an RFP. The cover letter accompanying the RFP will list a mandatory due date for your proposal. That due date is usually a week to ten days after you receive the RFP. There are many different proposal formats, but we have included one we have seen used successfully in the past.

Subcontract Agreement

After your proposal is submitted and accepted, you may receive a letter from the prime's subcontract representative welcoming you to the team. You will also receive a subcontract agreement. Basic elements of a subcontract agreement include: the net value of the contract (how much you'll be paid), what you're expected to do, and how you'll be paid. As far as invoices, we've provided an easy-follow template in Step 24, establish invoice/billing procedures that many have accepted from other entrepreneurs.

Note: If you ever have a disagreement with your partners concerning any of these issues, refer to the subcontract agreement. That is your contract and as long as you abide by it, you'll be fine.

Other things to consider:

- Make friends with the prime subcontract representatives. He or she will be a wealth of knowledge and will be in a position to act on your behalf if there are any problems with billing or invoices. Small companies need as many friends as they can find and this is a good one to have! Each company handles subcontract administration differently, so the closer you are to your prime subcontract representative, the more comfortable you will be with the entire process.
- We've also included a proposal template for RFP responses if you are going to be the prime contractor. Although you won't need it until after Step 29, build an employee hiring package is complete, take some time to learn the differences between that and the subcontract proposal template.
- There are different types of contracts. An RFP must outline what type of contract you'll be supporting and how you should submit pricing. You can do additional research on your own, but for right now you should at least be familiar with the terms and what they mean. Different contract types have different way of

accounting for costs, fees, and profits. Note: your negotiated price with the prime will always be based on the hourly rate of you or your employees from Step 8. How you propose it depends on the type of contract. For example, on a Time and Materials (T&M) contract, you propose a straight hourly rate. On a Firm Fixed Price (FFP) contract, you propose a total cost.

Here's a list of the most popular contract types and what they mean (there are many, many variants):

- Time and Materials (T&M). Payments are based on hourly rates and costs of materials used up to a not-to-exceed amount.
- Cost-Reimbursement. Reimburses the contractor for incurred costs. This pricing arrangement enables contractors to take on financial risk, but it provides little incentive to control costs.
- Cost-Plus-Incentive-Fee (CPIF). Reimburses the contractor for costs and adds a negotiated fee, which is adjusted by a formula based on target costs, providing an incentive to keep costs low. Note: This type of contract may also include fee adjustment as an incentive for the contractor to meet or surpass negotiated performance targets.
- Cost-Plus-Award-Fee (CPAF). Consists of a base fee (which may be zero) and an award fee, determined at periodic milestones set forth in the contract.
- Firm-Fixed Price (FFP). The price is set and fixed by unit of product or measure. FFP contracts impose the maximum risk on the contractor and minimum administrative burden on the customer.

There are samples of the following agreements on our website: [click here](#) & go to Step 20.

Non Disclosure Agreement Template
Personal Non Disclosure Agreement Template
Teaming Agreement Template
Proposal Template for Subcontractors
Proposal Template for Prime Contractors

STEP 21: BEGIN WORK (USE YOUR TIMESHEET)

You have now accomplished everything needed to start work. Before you begin, there might be a request for one last sit down meeting to go over the requirements and discuss expectations. It is very important that you cultivate a strong relationship with your client and business partners (if applicable). Many companies offer a mentoring program whereby they will help you grow and expand your business. As mentioned earlier in this Start-Up Checklist, large businesses may have an interest to develop a strong working relationship with promising small businesses to expand their future business opportunities.

One thing you need to begin immediately is the use of a timesheet to track the hours worked directly supporting your client deliverables, commonly referred to as “billable hours”. Even if you are the only employee, you still have to complete a timesheet. There is a sample timesheet & instructions on our website, [click here](#) & go to Step 21

Federal regulations require you to keep your timesheet current, so we recommend you fill it out at the end of the workday, every day. Failure to accurately account for your timesheet could result in questionable business practices or even termination of existing work.

Note: The following three steps are not difficult but they should be accomplished within a month after you start working. This will be a chaotic time as you support your customer and establish your remaining infrastructure requirements at the same time.

STEP 22: ESTABLISH PAYROLL SERVICES

As a corporation, your tax rates on salary and earnings after payroll will be different. By now you probably already know that. Therefore, we recommend you set up a payroll function immediately after you start generating revenue and before your first “paycheck”.

We recommend outsourcing this administrative necessity to your accountant, bank or any reputable company that performs this service. We consider this relatively inexpensive outsourcing a bargain for you as you’re starting out and it will take care of your mandatory federal and state tax withholdings and reporting requirements.

STEP 23: ESTABLISH PRODUCT / MONTHLY REPORTING PROCEDURES

Once you are generating revenue, your client may request specific reporting requirements. These are usually submitted in the form of monthly or project reports.

Typically they include:

- Summary of Accomplishments
- Deliverables Submitted or Progress on Deliverable Products
- Current or Anticipated Problems
- Activity Planned for the Next Reporting Period.

There is a sample monthly reporting template on our website, [click here](#) & go to Step 23.

Consider:

- Write down one or two important things you do every day. Then when your monthly report is due, you will have the majority of information already at hand and won't have to think back on what your major accomplishments were. Two minutes of writing down the highlights of your day (pertaining to the contract, of course) will make your life a lot easier.

STEP 24: ESTABLISH INVOICE / BILLING PROCEDURES

Invoices are usually submitted monthly or upon completion of the task (whichever comes first). The terms of payment are outlined in your (sub) contract, most often this will be 30-45 days after invoice submission.

There is a sample of a standard invoice template on our website, [click here](#) & go to Step 24.

How to use the invoice template:

- Your "Skill Level" or "Line Item and task description" (columns A and B) may be described in your (sub) contract. For example, if there is a skill level listed in the proposal, insert the skill level in column A. If the tasks are divided by line items, insert the applicable line item number in column A. Column B describes the task (this may also be listed directly from the proposal). In this example, we used "Technical Subject Matter Specialist", listed in column B.
- "Current Period Hours" is pretty straightforward. If you are billing on a monthly basis, insert the number of hours each employee worked or the number of hours that correspond with the applicable line item number. You'll get this information from the timesheet. The hours multiplied by the bill rate equals the "Amount of this Invoice" column.

- Clients may ask you to keep track of total hours and dollar amount billed for each position. These columns are next on the template. Reserve the final column for “Amount Previously Billed”. When filling out your first invoice, work left to right. The process becomes more complex for those beyond your initial invoice.

Tab 2 contains an “Example of Completed Invoice”. In order to complete your second (and all successive) invoices, start at the far right and work backwards.

1. Fill in “Cumulative hours from last invoice” for each position. Value in column G.
2. Fill in “Total Amount Billed to Date (From Last Invoice)”. Value in column H.
3. Fill in the “Amount Previously Billed” column. Value in column F.
4. Enter Travel Amount at the bottom, if applicable.

Once those three columns have been updated, you are ready to update column D “Current Period Hours”. This is probably the only portion on a new invoice you need to update. You’ll get the hang of it once you’ve done it a few times.

If there are any travel expenditures, Tools/Materials, or ODC (Other Direct Cost) reimbursements, you need to fill those in, too. Ensure you always update column K before you add the new reimbursement amounts on your new invoice!

Your subcontract agreement will have a section on invoice submissions and will probably ask you to submit invoices with the following statement (or close to it):

"I have reviewed the qualifications of the individuals whose labor costs are being invoiced hereunder and hereby confirm that all individuals meet the minimum labor categories, education and experience requirements for the specific labor categories for which his or her work is being billed."

Other considerations:

- If you have travel reimbursements, use the [Reimbursement Form Template on our website](#) to help calculate your reimbursement amount. Submit a completed Reimbursement Form with copies of all the receipts when you remit an invoice. Some clients/prime contractors might request the original receipts. Keep a copy of everything you submit for your records. Also, update the reimbursable mileage amount periodically. A quick online search of the Federal Travel Regulation will keep you up to date.
- Columns K and M are outside of the print area on purpose. They are there to make your updates easier, but you only need to print column A through I.
- Your (sub) contract agreement will specify how long you’ll have to wait for payment of your invoice. This is usually 30 days after they receive it, but some companies have a special “net 15 days” option for small business

subcontractors. Ask them if they can offer this option for you to help out with your cash flow.

STEP 25: BUILD HEALTH & DENTAL INSURANCE PACKAGES

Shop around! Cost for a health insurance package will be approximately \$400-\$1200 per employee, per month, depending on how much of the premium expenses your company will cover.

Costs for a comprehensive dental program are approximately \$40-\$80 per employee, per month. Depending on how much of the premium expenses your company will cover, those decisions will be based on your revenue and fringe benefit model. Refer to the worksheet in Step 8.

STEP 26: ESTABLISH 401K / IRA / 529 BENEFITS PLANS (even if you do not have employees)

Fringe benefits with tax advantages for you and your future employees are an excellent investment and employee retention tool, if you choose the right ones to offer. We recommend discussing options with a financial services company that specializes in supporting small businesses.

STEP 27: HUMAN RESOURCES

There is no immediate action required in this step but you should be aware of a large number of laws in place for Human Resources practices. Please open the SBA link below to familiarize yourself with these laws. We included it so you can start thinking about your human resources (HR) options and begin researching potential outsourcing alternatives. As long as you are the sole employee, your HR requirements are minimal.

However, as you bring on employees, your HR requirements increase exponentially.

[Small Business Administration \(SBA\)](#)

You have two options:

1. You can administer HR internally, or
2. You can outsource HR.

Some entrepreneurs handle HR internally at first but hire outside help once they reach 3 to 5 employees. Step 29 will satisfy your initial HR requirements.

If you do decide to outsource this administrative function at a later date, ask your payroll service provider from Step 22 if they handle basic small business HR functions. Chances are they do, and your monthly costs per employee will be minimal.

The basic services you should expect to receive include:

- Workers Compensation Payment Services - If an employee gets injured on the job.
- COBRA Administration - Includes state health insurance continuation requirements.
- State Unemployment Insurance (SUI) - Includes processing unemployment claims.
- New Hire Reporting - Must be reported within 20 days to the appropriate state agency.
- Handbooks and regulations – We've included examples; see the new employee hiring information in Step 29.

Note: You must post your company's Affirmative Action letter conspicuously at your headquarters office. There is a template in the Appendix or you can [click here](#) to go to our website & then Step 27.

STEP 28: RE-ASSESS YOUR OPERATING BUDGET BASED ON ACTUAL COSTS & EXPECTED GROWTH

Prior to hiring employees, take another look at your operating budget (from Step 9) to ensure there are sufficient overhead resources for planned benefits packages. The deduction amounts in column F are based on you, the employer, paying all Health and Dental premiums. This is a wonderful incentive for new employees, but first plug in all the numbers (including expected labor rates and salaries) to make sure you can comfortably afford it. Now is the time to adjust those benefits packages, before your employees form expectations.

Consider:

- Benefits have to be applied to everyone equally.
- We recommend you add the hypothetical 10 additional employees into the operating budget and see what it does to your company's pre-tax net income.
- Take into account other fringe benefits you may want to add that are not specifically outlined in the budget, such as tuition reimbursement or annual bonuses. You can add those amounts in the operating expenses on the lower right of the baseline operating budget worksheet as they will be a multiple of the number of employees you have. For example, the training budget is \$1,000 multiplied by the number of employees (not including you).
- If the numbers look good, then you should be fine.

STEP 29: BUILD AN EMPLOYEE HIRING PACKAGE

After interviewing potential candidates and choosing a potential employee, the first thing you need to give them is an offer letter! There is a sample offer letter on our website: [click here](#) & go to Step 29.

After they accept your offer of employment, and prior to starting work, there are six things you need for each new employee. They are:

- Employee Handbook. There is an employee handbook template on our [website](#).
- A letter they must sign stating they received the Employee Handbook: there is a sample on our [website](#).
- Form I-9. There is a sample on our [website](#).
- Direct Deposit Form: You will receive this from your outsourced payroll service provider (Step 22) or there is a sample on our [website](#).
- Form W-4 (Federal Payroll Withholding). There is a sample on our [website](#).
- Your state's payroll withholding worksheet. Search online for the phrase: "Your State INCOME TAX WITHHOLDING EXEMPTION CERTIFICATE" and it should be the first link on that page.

You will submit the Direct Deposit Form, W-4 and state income tax withholding exemption certificate to your payroll service provider.

Other considerations:

- We recommend you make a copy of all the documentation above for your records.
- Make sure employees understand their requirements for identification for the Form I-9 prior to showing up the first day. A driver's license alone is not enough!
- Ensure your new employee brings a voided check when they in-process, which you need to attach to the Direct Deposit Form.

STEP 30: HIRE EMPLOYEES

Congratulations! You just completed your start-up phase and are ready to move into what we consider the “growth phase”.

Hiring your first employee is an enormous milestone in your company’s growth. At this point in your company’s development, you will be comfortable with running the business to focus on managing employees.

Speaking of managing employees, you are responsible for approving and tracking everyone’s vacation and sick leave hours. There is a sample vacation & sick leave timekeeper spreadsheet on our website: [click here](#) & got to Step 30.

If you wish to provide an incentive for a stellar employee, you could always offer an executive bonus agreement whereby the company pays the premium for that employee’s life insurance policy, and the policy is fully vested after a certain number of years (usually three). Your company’s financial advisor (Step 26) can set this up for you. There is a sample executive bonus agreement template on our website: [click here](#) & got to Step 30.

*Congratulations on starting
your own business!*

*Please do not hesitate to contact JCA, with any questions
about starting, growing or expanding your business!*

