

Second Chance Cafe Financial Projections Case¹

Subject: Can you help me run the numbers on Second Chance Cafe's possible expansion?

From: LaRae@secondchancecafe.org

Date: 06/10/2025

Good morning!

Hope you're well. I've got an expansion opportunity I'm seriously considering, and I'd really value your perspective.

As you know, I am the Executive Director of Second Chance Cafe in LA. Over the past three years, we've employed over 100 people returning home from incarceration and built a strong community by serving good coffee and food in a supportive workplace. Now, I'm looking at opening a second location in Ocean Beach, San Diego, and I need your help figuring out if it's financially feasible.

To help you get oriented, I've included two attachments: a CapEx summary for startup costs and an OpEx budget for monthly expenses.

We've identified a 1,500 sq ft cafe space near Newport Avenue. It's a walkable, high-traffic area with a mix of locals and tourists. We'd staff the new cafe with one full-time manager, one assistant manager, three transitional shift leads, and six transitional baristas or food service trainees. Coffee would still be roasted and stored in LA and shipped to San Diego.

In Month 1, we project an average transaction of \$10, starting at 250 transactions per day. The cafe is open seven days a week. From Month 1 to Month 5, we project that the revenue will remain constant from month to month. Starting in Month 6, we project a monthly revenue growth rate of 5%. We estimate the Cost of Goods Sold (COGS) will be 30% of revenue, and administrative and back-office costs will be 10% of revenue.

We currently have \$250,000 to support the expansion. Based on the assumptions above, I'd like your help modeling a 12-month cash flow projection using \$250,000 as the starting balance. Please estimate our monthly net cash flow and ending cash balance for Months 0 - 12.² When will we reach monthly break-even? I'm trying to determine whether our initial \$250,000 will be enough to carry us until that point. If not, I need to know when we might run out of cash, and how much additional funding we would need to stay afloat through the first year.

Thanks,
Rae

¹ This case is a hypothetical scenario created for educational purposes. Any resemblance to actual businesses, individuals, or events is purely coincidental.

² For the purposes of this exercise, you can assume each month has 30 days.

Attachment 1: CapEx_Estimate.pdf

| CapEx_Estimate | |
|---------------------------------|------------------|
| Item | Cost |
| Leasehold Improvements | \$85,000 |
| Equipment | \$60,000 |
| Furniture & Fixtures | \$20,000 |
| Pre-opening Training | \$15,000 |
| Permits, Inventory, Contingency | \$20,000 |
| Total | \$200,000 |

Attachment 2: OpEx_Budget.pdf

| OpEx_Budget - Monthly Operating Costs | |
|---|-------------|
| Category | Cost |
| Wages (incl. taxes/benefits) | \$38,000 |
| Rent & Utilities | \$8,000 |
| Coffee Freight (LA to SD) | \$2,000 |
| Misc. (marketing, repairs, etc.) | \$4,000 |
| Social Program Supports (wraparound, case management, training) | \$5,000 |

Glossary

| | |
|---------------------------------------|---|
| Beginning Cash Balance | The amount of money your business has at the start of each period |
| CapEx (one-time startup) | Capital Expenses: One-time costs to start or improve your business, such as equipment, renovations, or initial inventory. These are not recurring monthly expenses. |
| Earned Revenue | The total income generated from selling goods or services before subtracting any costs. |
| COGS (as % of earned revenue) | Cost of Goods Sold: The costs of producing the goods or services you sell, including raw materials, direct labor, factory overhead, and packaging. In this case, COGS are estimated as an overall percentage of revenue. |
| OpEx | Operating Expenses: The ongoing costs to keep your business running, such as wages, rent, utilities, marketing, and maintenance. |
| Admin (as % of earned revenue) | Indirect costs like accounting, HR, insurance, and software subscriptions. In this case, administrative costs are estimated as a percentage of total revenue. |
| Total Expenses | The sum of all outgoing costs each month, including COGS, OpEx, social expenses, and admin costs. |
| Net Cash Flow | The difference between your earned revenue and total expenses. A positive value means you made money that month; a negative value means you lost money. |
| Ending Cash Balance | The amount of cash left at the end of each month. It's your beginning balance plus (or minus) your net cash flow. |
| Break-even | Break-even is the point at which a business's total revenue equals its total expenses, meaning it is neither making a profit nor incurring a loss. This can refer to a specific time period (e.g., monthly or annually) or be calculated cumulatively (e.g., over the lifetime of a project or investment). |