



BRILLIANT BEGINNINGS LLC

CASE STUDY

PART ONE

Company Background and Mission

On a chilly October morning, Derek Milenko, President and CEO, crossed the production floor with his third coffee in one hand and a well-marked notebook in the other. Glancing up, he spies the Brilliant Beginnings logo he designed years earlier but still makes him smile today. A sander hummed like a lawnmower with a stick stuck in its blade. A batch of stacking blocks was labeled “Rejects” having failed a fit test by a millimeter. This means rework and a missing shipping window. Derek looked at the old cutter, then at the whiteboard where R&D had sketched the new textured toy line. New products keep the brand special, he thought, but the machines are begging for mercy.

Brilliant Beginnings LLC is a toy manufacturing company based in Chicago, Illinois, where it also produces its entire portfolio of toy products. The company focuses on educational toys for children from newborn to five years old, emphasizing tactile, analog play experiences rather than electronic or digital gadgets. The mission statement is: "to help kids love learning as much as they love playing." This mission underpins every product decision, aiming to blend fun with educational value for early childhood development. The company's differentiator is that its toys do not depend on electronic parts or power sources at all – a deliberate choice to encourage imagination, hands-on interaction, and reduce screen time for young children.

Brilliant Beginnings LLC has seen a surge in sales in the post COVID-19 period, benefiting parents seeking more interactive, screen-free activities for children stuck at home. The COVID-19 pandemic boosted demand for toys (especially educational and family-oriented toys like puzzles and building sets) as families spent more time together at home. This trend created a favorable market environment for analog toy makers. Traditional toy categories – such as building blocks, wooden puzzles, foam alphabet letters, and other classic hands-on toys – have experienced renewed popularity. Parents and educators increasingly recognize that old-fashioned physical toys can be highly effective for learning and development, complementing or even preferring them over flashy electronic toys in some cases.

Products and Market Position

Brilliant Beginnings LLC's product lines are designed to develop a trio of key skills in young children: social/interpersonal skills, physical/motor skills, and language skills. The flagship product line with the highest brand recognition is Brilliant Basics and is a consistent bestseller in the toddler developmental toy category. This line includes classic toys such as:



- Building and Construction Toys (e.g. wooden blocks that teach shapes and balancing)
- Cognitive Development Toys (e.g. simple jigsaw puzzles and foam alphabet letters)
- Fine Motor Skills Toys (e.g. threading beads or lacing cards that young kids can string together)

These traditional toys have the longest track record of strong market performance for the company. By focusing on these categories, Brilliant Beginnings LLC appeals to parents who value Montessori-style or traditional learning toys. Current marketing research shows growing interest in textured sensory toys as well – toys that have various textures and materials to stimulate touch and sensory exploration for babies and toddlers. In response, the company is considering investing more in developing new textured toy lines. These might include items like soft fabric blocks, crinkly touch-and-feel books, or rubbery chewable toys – all aimed at engaging a child's sense of touch. Expanding into such product lines could open new revenue streams, given the rising popularity of sensory play in early childhood development.

Brilliant Beginnings LLC positions itself in the market with a strategy of product leadership. This means the company strives to be an innovator and leader in product quality and novelty – always introducing new, better-designed educational toys that set it apart. It competes on creative design and educational value rather than having the lowest price. The company's toys are often recognized for their thoughtful design and durability, rather than electronic gimmicks. While the toy industry as a whole is competitive (with large players like Mattel, Hasbro, and LEGO dominating certain segments), Brilliant Beginnings LLC has carved out a niche in the non-electronic educational toy segment. The post-pandemic market trends have been on its side: families have shown increased interest in puzzles, building kits, and other hands-on learning toys, which align perfectly with Brilliant Beginnings LLC's offerings.

Operations and Strategy Impact

Brilliant Beginnings LLC's product leadership strategy has several implications for its operations and financials. Because the company emphasizes continuous innovation and the educational quality of its toys, it invests heavily in research and development (R&D). In fact, its R&D and product development expenses (included in operating expenses) are higher as a percentage of sales than those of many other toy manufacturers. This higher spending is intentional: the company wants to regularly refresh its product lineup and ensure each toy has genuine developmental benefits, which requires design work, child psychology research, and product testing.

To balance these high R&D costs, Brilliant Beginnings LLC spends less on capital equipment for production than some of its competitors do. In practice, this means the company has not purchased the very latest or most expensive manufacturing machinery; it often tries to make do with existing equipment as long as possible. This cost-saving choice



helps keep overall production costs competitive, but it has occasionally led to quality issues in production. For example, using older machines can result in minor imperfections in toy parts or slower production speed. There have been a few instances of product defects and higher scrap rates on the assembly line. However, so far, the company's continuous flow of new and exciting products has overshadowed these manufacturing hiccups. Customers remain loyal due to the unique design and educational value of the toys, and any small quality issues have been quickly addressed by the company's customer service.

The company's leadership is aware of this trade-off. They know that if they continue growing, at some point they may need to invest more in modernizing production to maintain quality standards. But as a young, growing company, Brilliant Beginnings LLC has so far prioritized innovation and market growth over heavy capital expenditures. This is a delicate balance – investing in innovation to drive sales, while trying not to let cost controls slip in other areas.

Leadership and Need for Financial Planning

Brilliant Beginnings LLC was founded by Derek Milenko, who remains the President and CEO and sole shareholder of this privately held enterprise. Derek is the one who initially provided all the equity capital to get the company started, and he has grown the business from the ground up. As a leader, Derek is known to be amicable and passionate about his products. He is also an aggressive salesperson – he loves going out to pitch Brilliant Beginnings LLC toys to retailers, parent groups, and at trade shows. This hands-on, charismatic approach from the founder has helped build the brand's presence.

However, Derek readily acknowledges his shortcomings in finance. His expertise lies in product design, sales, and big-picture vision, not in the finer details of financial forecasting or accounting. With the company's rapid growth after 2020, the financial side of the business has become more complex. Derek realized that to continue steering the company successfully, he would need a solid understanding of how various factors (like growth rate, costs, and investments) impact the company's profits and cash over the next several years. This is crucial especially as he considers whether to ramp up growth initiatives (like launching the new textured toys line) or perhaps invest in better production equipment to fix quality issues.

To get a handle on this, Derek has hired you as a financial analyst to create a comprehensive five-year financial model for the business. Your task is to project the company's financial statements – the Income Statement, Balance Sheet, and Statement of Cash Flows – for the next five years, based on certain assumptions. The goal is to help Derek visualize the future and make informed strategic decisions. In particular, Derek wants to see "what if" scenarios: how would the finances look if the company continues its current trajectory versus a scenario where the company grows faster and improves its profit margins? By having these scenarios side by side in a dynamic dashboard, Derek



hopes to understand the impact on things like profitability and cash flow, and especially to answer a pressing question he has: "If we accelerate growth and improve efficiency, how much more cash could we have in five years compared to the current plan?"

Financial Snapshot of 2025

Before projecting forward, it is important to understand where Brilliant Beginnings LLC stands as of the end of 2025. The company's in-house accountants have provided the latest financial statements. Here are the key figures from Brilliant Beginnings LLC's Income Statement for the year ended 2025:

- **Net Sales (2025): \$13,350,950.** This is the revenue from toy sales for the year. It reflects strong post-pandemic demand for the products.
- **Cost of Sales: \$6,743,000.** These are the direct costs to produce the toys (materials, labor, factory overhead). In 2025, cost of sales equated to roughly half of the sales revenue. The gross profit was \$6,607,950, which means after manufacturing the toys, that's the profit left to cover other expenses. This gross profit represents a gross margin of about 49.5% of sales.
- **Operating Expenses: \$4,287,556.** These include all the company's overhead and operating costs, such as R&D, marketing, sales, and administrative expenses. In 2025, operating expenses were about 32% of net sales. This relatively high spending (especially R&D within this category) aligns with the company's product leadership strategy. After covering operating expenses, the company had remaining operating profit, but we still need to subtract other operating items and depreciation to arrive at EBIT. However, we need to incorporate other items below.
- **Other Operating Expense (Income): \$119,466 (expense).** This might include miscellaneous items not part of core operations. For 2025 it was a small expense. Subtracting this, we get the EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization).
- **EBITDA (2025): \$2,200,928.** This number represents the earnings from operations before accounting for depreciation (a non-cash expense) and before interest and taxes. It is essentially operating profit in cash terms.
- **Depreciation: \$1,000,000.** This is the expense recorded for wear-and-tear on the company's plant, equipment, and any other capital assets. It is a non-cash accounting expense, but it does affect reported profit. After subtracting depreciation from EBITDA, we get EBIT.
- **EBIT (2025): \$1,200,928.** This is earnings before interest and taxes. It represents the operating profit after accounting for the year's depreciation.



- **Interest Expense, Net: \$1,000,000.** The company has debt of \$10,000,000 on its balance sheet which incurs interest. In 2025, the interest cost was \$1,000,000, representing a 10% interest rate on the debt. After paying interest, what remains is pre-tax income.
- **Pre-Tax Income (2025): \$200,928.** This is profit before taxes are applied. It is relatively small compared to sales, indicating that after all expenses and interest, the company had about \$201k in profit left.
- **Income Taxes: \$44,204.** The company incurred about \$44.2k in tax in 2025. This is an effective tax rate of approximately 22% of pre-tax income, which represents a normalized corporate tax rate for forward planning purposes.
- **Net Income (2025): \$156,724.** This is the bottom-line profit of the year. This net income would be added to the retained earnings in equity (since it is a private company and Derek did not take any dividends).

Overall, the 2025 income statement shows that while Brilliant Beginnings LLC is profitable, its net profit margin is fairly thin (about 1.2% of sales). This is not unusual for a growing manufacturing company that is investing heavily in R&D and other operating costs. It also underlines why Derek is keen to manage costs and increase efficiency – even a small improvement in margins or a boost in sales growth could significantly increase that bottom-line figure in the future.

Looking at the Balance Sheet as of end of 2025, we have a snapshot of the company's financial position:

- **Assets:** The company had \$2,126,450 in Cash and Cash Equivalents. Accounts Receivable were \$2,002,000 (money owed by customers, which in the toy industry might be large retail clients or distributors). Inventories were \$2,547,463 (the cost value of toys and materials sitting in the warehouse ready to be sold). Other current assets (like prepaid expenses or perhaps tax credits) were \$390,178. Additionally, the company had significant Property, Plant & Equipment (PP&E) of \$15,000,000 (net of depreciation) – reflecting the investment in the factory, tools, and possibly the building or heavy machinery for production.
- **Liabilities:** On the liabilities side, Accounts Payable were \$954,675 (bills to suppliers for materials, etc., not yet paid). Accrued Liabilities (which include accrued expenses like salaries payable, utilities, customer deposits, short-term provisions, etc.) were \$1,665,471. Other current liabilities balance was \$650,123. The company also has Long-Term Debt of \$10,000,000, which as noted contributes to interest expense.



- **Shareholder's Equity:** Finally, the equity in the company was \$8,793,824. Since Derek is the sole shareholder, this represents his equity stake (initial contributions plus accumulated retained earnings from profits over the years). The balance sheet balances, meaning Total Assets equal Total Liabilities plus Equity, at \$22,064,093.

These historical financial figures from 2025 will serve as our primary inputs. This data, when validated, will fuel the baseline set of assumptions and will be the primary point for estimating pro forma projections.

PART TWO

Baseline Assumptions (2026–2030): Normal Operations, Baseline Scenario

With the base year established, Derek and the CFO have provided a set of assumptions for how key financial metrics will behave over the next five years (2026 through 2030). Using these assumptions, we can project the income statement, balance sheet, and cash flows year by year. First, we will create a baseline scenario using a continuation of current trends and conservative estimates:

- **Net Sales Growth: 5% per year.** Sales are expected to grow organically at a modest 5% annually, reflecting steady expansion in distribution and market without any major new initiatives.
- **Cost of Sales: 45% of Net Sales.** This implies a gross margin of 55%. It assumes some improvement in cost efficiency compared to the roughly 50% cost ratio in 2025. Perhaps economies of scale or slight product re-engineering reduce cost of goods.
- **Operating Expenses: 35% of Net Sales.** Operating costs – including SG&A and R&D – are assumed to scale such that they take up 35 cents of each sales dollar. This is a bit higher than the 32% in 2025, possibly allowing for increased R&D spend as sales grow or just a buffer for inflation in expenses.
- **Other Operating Expense (Income): 1% of Net Sales (as a net expense).** This covers any miscellaneous operational income or charges at about one cent per dollar of sales. It is a small factor but included for completeness.
- **Interest Rate on Debt: 10% per annum.** Assumes the \$10,000,000 long-term debt will carry a 10% interest cost each year going forward, i.e., \$1,000,000 interest expense per year.



- **Corporate Tax Rate: 22%.** Assumes the effective tax rate on pre-tax profits will be 22% each year. This is in line with typical U.S. corporate rates given some deductions and state taxes.

Additionally, the CFO provided assumptions for working capital needs and other items to help project the balance sheet each year:

- **Days Receivable (Collection Period): 70 days.** This means on average it takes about 70 days for Brilliant Beginnings LLC to collect cash from its customers. In the model, accounts receivable will be about 70/365 of the year's sales or approximately 19% of annual sales as an outstanding balance.
- **Days Inventory (Sell-through): 100 days.** The company expects to hold about 100 days' worth of cost of sales in inventory. They have ample stock to meet demand while not holding much idle stock. Inventory will be ~100/365 of annual cost of sales, approximately 27% of COGS as inventory on hand.
- **Other Current Assets: 2% of Net Sales.** This covers things like prepaid expenses, which are assumed to scale with sales.
- **Days Payable (Payment period to suppliers): 45 days.** The company pays its suppliers on roughly 45-day terms. So, accounts payable will be 45/365 of annual cost of sales, approximately 12% of COGS.
- **Accrued Liabilities: 15% of Net Sales.** The company would have unpaid but incurred items like payroll/bonuses, taxes, interest, rent/utilities, freight, and professional fees.
- **Other Current Liabilities: 5% of Net Sales.** This category would include deferred revenue, gift cards/loyalty points, sales tax collected, warranties and returns, and current lease liabilities.
- **Depreciation Expense: \$1,000,000 per year,** assumed to remain at the current level annually, since no major new capital expenditures are planned in the baseline scenario.
- **Capital Expenditures: Maintenance capex equals depreciation.** The assumption is that the company will invest \$1,000,000 annually to maintain and replace equipment, keeping PP&E constant at its net book value.
- **Dividends: None.** Derek does not plan to take dividends out; any earnings will be retained to fund growth.



- **Financing Changes: None.** No new debt or equity issuance, and no debt paydown. The model will hold debt constant at \$10M, meaning interest stays at \$1M each year.

Assignment

Using these assumptions, you can now project the Income Statement, Balance Sheet, and Cash Flows for each year 2026 through 2030 under this baseline scenario. The model will apply the growth and percentage assumptions to forecast sales, expenses, and working capital, and then determine how much cash the company generates or uses each year.

Five Year Highlights of Baseline Scenario (Note: APPENDIX1-Forecasted Baseline Financials)

After crunching the numbers for the baseline scenario, here is a summary of what the next five years (2026–2030) might look like for Brilliant Beginnings LLC if it follows the baseline assumptions:

- **Revenue Growth:** Net sales would grow from \$13,350,950 in 2025 to \$17,039,571 in 2030 under the 5% annual growth rate. This is a steady, modest growth trajectory. Each year, sales are about 5% higher than the previous year. For example, in 2026 projected sales would be \$14,018,498, then \$14,719,422 in 2027, \$15,455,393 in 2028, and \$16,228,163 in 2029. This reflects maintaining current market share and a slight expansion in distribution or product offerings, but nothing dramatically new.
- **Profitability:** With cost of goods at 45% and operating expenses at 35% of sales, plus 1% other expense, the EBITDA margin in the projection is about 19% of sales (since $100\% - 45\% - 35\% - 1\% = 19\%$). For 2026, EBITDA would be \$2,663,515. Subtracting the fixed \$1,000,000 depreciation, EBIT is \$1,663,515. After \$1,000,000 interest, pre-tax profit is \$663,515. Applying 22% tax of \$145,973, net income in 2026 would be \$517,541. By 2030, with sales of \$17,039,571, EBITDA would be \$3,237,519, EBIT \$2,237,519, pre-tax income \$1,237,519, and net income after tax \$965,264. This shows net income increases more than sixfold from 2025 to nearly one million by 2030. This is a healthy trend – the company becomes significantly more profitable as it grows and improves margins.
- **Cash Flows:** Importantly, the company generates positive operating cash flow each year. Net income is positive and growing, and depreciation (\$1M per year) adds back a non-cash expense, boosting cash flow. Since maintenance capex equals depreciation, the net impact on cash from these two items is neutral. The working capital assumptions mean that as sales grow, some cash gets tied up in receivables and inventory, but likewise accounts payable and other liabilities grow, which largely offsets that. Under the baseline scenario, the annual cash from operating activities starts at \$2,069,197 in 2026 as they expand and sell off inventories to support the



sales growth. By 2030 those operating cash flows are \$1,900,685 and cash accumulates over time with profit increases and no dividends payments.

By the end of five years, in the baseline case the model projects a higher cash balance. Starting from \$2,126,450 at the end of 2025, then through 5% modest net sales growth, the cash grows to \$6,117,388 by the end of 2030 under baseline conditions. This is the result of the surplus operating cash generated each year. This growing cash cushion could potentially be used in the future for major strategic moves (new product development, marketing pushes, or purchasing new equipment to fix quality issues or grow capacity).

- **Balance Sheet Health:** Over this period, since the company is not borrowing more, the debt stays at \$10M. Equity increases each year by the amount of retained earnings (which is the net income, since there are no dividends). So, equity would rise from \$8,793,824 in 2025 to \$12,473,551 in 2030. The company becomes financially stronger, as evidenced by more cash and higher equity. PP&E, Net would remain constant at \$15,000,000 since maintenance of capital expenditures replaces depreciation each year.

In summary, the baseline scenario paints a picture of steady growth: revenues move upward, profits improve, and cash appreciably accumulates. It is a conservative trajectory that keeps the company on a safe path, building financial strength. The operations might be enough to pay down the long-term debt, if prioritized. However, Derek wonders if they can do better – especially given the strong market momentum and the company's competitive strengths. This leads us to examine an alternative, more aggressive scenario.

PART THREE (Optional)

Revised Assumptions (2026–2030): Higher Growth and Efficiency, Optimistic Scenario

The management team also wants to see an upside scenario reflecting what might happen if the company pursues a more aggressive growth strategy (perhaps by investing more in marketing or new product lines like the textured toys) and simultaneously manages to improve its cost structure. For this revised projection, the assumptions are adjusted as follows:

- **Net Sales Growth: 12% per year.** This is much higher than 5% baseline assumption. It presumes the company can ramp up sales by rapid expansion into new markets or product categories. 12% annual growth might come from increased market share or tapping into the overall high growth rate of the educational toy market. It is ambitious but not implausible for a nimble company.
- **Cost of Sales: 40% of Net Sales.** Under this scenario, the company improves its gross margin to 60%. This could be achieved through better supplier contracts,



improved manufacturing efficiency, or lower defect rate in production. A lower cost percentage means each sale is more profitable.

- **Operating Expenses: 30% of Net Sales.** This assumes the company gains operating leverage as it grows – spending relatively less on overhead per dollar of sales. Possibly, some expenses like administration will not grow as fast as sales, or marketing efficiency improves. It might also imply a controlled R&D budget that will grow slower than sales. A 30% ratio is leaner than the current 32–35% range.
- **Days Receivable (Collection Period): 55 days.** This means on average it takes about 55 days for Brilliant Beginnings LLC to collect cash from its customers. In the model, accounts receivable will be about 55/365 of the year's sales or approximately 15% of annual sales as an outstanding balance.
- **Days Inventory (Sell-through): 70 days.** The company expects to hold about 70 days' worth of cost of sales in inventory. Faster inventory turnover reflects improved supply chain management and leaner operations. Inventory will be ~70/365 of annual cost of sales, approximately 19% of COGS as inventory on hand.
- **Days Payable (Payment period to suppliers): 60 days.** The company currently pays its suppliers on roughly 45-day terms. With more purchasing power, supplier contracts could be renegotiated and be 60/365 of annual cost of sales, approximately 14% of COGS.

Other than above, we can assume all the other baseline operating conditions remain the same. These revised optimistic assumptions depict a future where Brilliant Beginnings LLC grows faster and becomes more efficient. It reflects an ideal case of strong execution: the company increases sales at a rapid clip, possibly by capitalizing on the booming demand for educational toys and expanding its product offerings, while also cutting down the relative cost of producing and selling those toys.

Five Year Highlights of Aggressive Scenario (Note: APPENDIX2-Forecasted Optimistic Financials)

When we project the financials with the above aggressive assumptions, the differences from the baseline scenario are significant:

- **Accelerated Revenue Growth:** With 12% annual growth, net sales would grow by about 76% over five years. Starting from \$13,350,950 in 2025, sales could rise to \$23,528,936 by 2030. Each year the jump is larger: e.g., 2026 sales would be \$14,953,064 (compared to \$14,018,498 in baseline), 2027 \$16,747,432, 2028 \$18,757,123, 2029 \$21,007,978, and 2030 \$23,528,936. (Compared to \$17,039,571 in Baseline). This trajectory shows the compounding effect of high growth – by the end of the period, annual sales are nearly \$6,500,000 higher than they would be under the baseline 5% scenario. This means the company would capture a much



larger share of the market and likely outpace some competitors in growth. The rapid growth likely assumes successful launch of new product lines (like the textured toys) and possibly expansion to new retail channels or regions.

- **Improved Margins:** With cost of sales at 40% and operating expenses at 30% of sales, plus 1% other expenses, the company achieves an EBITDA margin of 29% in this scenario ($100\% - 40\% - 30\% - 1\% = 29\%$). This is a substantial improvement over the 19% EBITDA margin in the baseline. For example, in 2026 with sales of \$14,953,064, EBITDA would be \$4,336,389 (compared to \$2,663,515 in baseline). After \$1,000,000 depreciation, EBIT would be \$3,336,389. Subtracting \$1,000,000 interest, pre-tax profit is \$2,336,389. After 22% tax (of \$514,005), net income in 2026 would be \$1,822,383.

By 2030, at \$23,528,936 sales, EBITDA would be \$6,823,391, EBIT \$5,823,391, pre-tax income \$4,823,391, and net income of \$3,762,245. That is nearly four times higher than the baseline net income of \$965,264 originally projected under baseline assumptions for 2030. So, by the fifth year, annual profit would be significantly higher under the optimistic plan. This scenario shows the company scaling up and earning more profit out of each dollar of sales through aggressive market growth, efficiency and cost controls.

- **Cash Flow and Final Cash Position:** The cash generation in this scenario is very strong, due to both higher profits and improved margins. Each year, the operating cash flow would be boosted by higher net incomes and still the \$1,000,000 depreciation add-back. The maintenance capital expenditures still offset depreciation. Cash from operating activities in 2030 goes to \$4,877,588 as compared to \$1,900,685 in the baseline scenario.

By 2030, the model suggests Brilliant Beginnings LLC's cash balance could reach \$18,588,017 under the optimistic scenario, compared to \$6,117,388 in the baseline case. That is a huge difference! To put it plainly: at the end of five years, the company would have roughly \$12 million more in cash on hand under the revised assumptions! This answers Derek's key question – pursuing the higher growth and efficiency strategy could yield significant extra cash by 2030. In the baseline, cash was growing but the business was still somewhat constrained by thinner margins. In the aggressive case, the company grows faster and converts a larger portion of sales into cash, which dramatically boosts the ending cash position.

- **Other Balance Sheet Effects:** With profits soaring in this scenario, equity grows correspondingly more (since all those earnings are retained). By 2030, equity would be \$22,481,587, much higher than the baseline's \$12,473,551. The debt remains \$10,000,000 (unchanged), so the company's debt-to-equity ratio improves drastically (the company becomes very conservatively financed by then).



In summary, the revised scenario paints a picture of aggressive growth yielding high rewards. It shows that if Brilliant Beginnings LLC can capture a higher growth rate and improve its margins, its profitability and cash flow could multiply significantly. This scenario might be achievable if, for example, the company's new product lines (like the textured sensory toys) take off in the market, and if internal efficiencies (or perhaps sourcing cheaper production inputs or achieving economies of scale) reduce costs as a percentage of sales.

Conclusion: Comparing the Scenarios and Looking Ahead

By constructing these side-by-side projections, Derek can visually compare the outcomes. The baseline scenario is conservative and safe – it results in steady improvement and a solid cash cushion. The aggressive scenario shows what could happen if the company's strategy succeeds on a higher level – it results in much higher sales, profits, and more than \$12 million in extra cash by the end of 2030. This extra cash could be crucial for Brilliant Beginnings LLC's future endeavors. For instance, with the extra capital, Derek could comfortably invest in state-of-the-art production machinery to resolve quality issues, or fund a major marketing campaign, or even expand internationally – all without needing external financing.

For an audience with beginner-level business knowledge, the key takeaway is strategic choices and assumptions today can dramatically change the financial outcomes tomorrow. A higher growth rate (12% vs 5%) means a much larger company in five years. Better cost management means keeping more profit from each sale. Together these factors compound to produce substantially more cash for the business, which provides greater flexibility and security. Of course, achieving the aggressive scenario would require hard work – it is not guaranteed. The company would need to execute its product innovation and market expansion flawlessly and maybe face competitive responses. But this exercise in financial modeling helps quantify the reward of that effort.

Derek, armed with this model and the dynamic dashboard of baseline vs revised projections, can now clearly see the financial impact of his strategic decisions. If he opts for the ambitious growth strategy, he knows what the payoff could look like in terms of the bottom line and cash. If he prefers a cautious approach, he understands how the company will still grow steadily. This kind of financial foresight is exactly what he was hoping to gain by hiring a finance professional.

In conclusion, Brilliant Beginnings LLC finds itself at an exciting crossroads: the company has a strong foundation in a growing market, and by planning ahead with detailed financial projections, it can confidently choose a path that will help "kids love learning as much as they love playing" – while also ensuring the business remains healthy and prosperous in the years to come.

APPENDIX1-Forecasted Baseline Financials

Income Statement



	Actuals	Projected				
	2025	2026	2027	2028	2029	2030
Net Sales	\$ 13,350,950	\$ 14,018,498	\$ 14,719,422	\$ 15,455,393	\$ 16,228,163	\$ 17,039,571
Cost of Sales	\$ 6,743,000	\$ 6,308,324	\$ 6,623,740	\$ 6,954,927	\$ 7,302,673	\$ 7,667,807
Gross Profit	\$ 6,607,950	\$ 7,710,174	\$ 8,095,682	\$ 8,500,466	\$ 8,925,490	\$ 9,371,764
Operating Expenses	\$ 4,287,556	\$ 4,906,474	\$ 5,151,798	\$ 5,409,388	\$ 5,679,857	\$ 5,963,850
Other Operating Expenses	\$ 119,466	\$ 140,185	\$ 147,194	\$ 154,554	\$ 162,282	\$ 170,396
EBITDA	\$ 2,200,928	\$ 2,663,515	\$ 2,796,690	\$ 2,936,525	\$ 3,083,351	\$ 3,237,519
Depreciation Expense	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
EBIT	\$ 1,200,928	\$ 1,663,515	\$ 1,796,690	\$ 1,936,525	\$ 2,083,351	\$ 2,237,519
Interest Expense, Net	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Pre-Tax Income	\$ 200,928	\$ 663,515	\$ 796,690	\$ 936,525	\$ 1,083,351	\$ 1,237,519
Income Taxes	\$ 44,204	\$ 145,973	\$ 175,272	\$ 206,035	\$ 238,337	\$ 272,254
Net Income	\$ 156,724	\$ 517,541	\$ 621,418	\$ 730,489	\$ 845,014	\$ 965,264
Net Profit Margin	1.17%	3.69%	4.22%	4.73%	5.21%	5.66%

APPENDIX1-Forecasted Baseline Financials
Balance Sheet



	Actuals 2025	Projected				
		2026	2027	2028	2029	2030
Assets						
Cash & Cash Equivalents	\$ 2,126,450	\$ 3,195,647	\$ 3,761,279	\$ 4,433,193	\$ 5,216,703	\$ 6,117,388
Accounts Receivable	\$ 2,000,002	\$ 2,688,479	\$ 2,822,903	\$ 2,964,048	\$ 3,112,250	\$ 3,267,863
Inventories	\$ 2,547,463	\$ 1,728,308	\$ 1,814,723	\$ 1,905,459	\$ 2,000,732	\$ 2,100,769
Other Current Assets	\$ 390,178	\$ 280,370	\$ 294,388	\$ 309,108	\$ 324,563	\$ 340,791
Total Current Assets	\$ 7,064,093	\$ 7,892,803	\$ 8,693,294	\$ 9,611,809	\$ 10,654,249	\$ 11,826,812
Property, Plant, & Equipment, Net	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000
Total Assets	\$ 22,064,093	\$ 22,892,803	\$ 23,693,294	\$ 24,611,809	\$ 25,654,249	\$ 26,826,812
Liabilities and Shareholders Equity						
Accounts Payable	\$ 954,675	\$ 777,739	\$ 816,625	\$ 857,457	\$ 900,330	\$ 945,346
Accrued Liabilities	\$ 1,665,471	\$ 2,102,775	\$ 2,207,913	\$ 2,318,309	\$ 2,434,224	\$ 2,555,936
Other Current Liabilities	\$ 650,123	\$ 700,925	\$ 735,971	\$ 772,770	\$ 811,408	\$ 851,979
Total Current Liabilities	\$ 3,270,269	\$ 3,581,438	\$ 3,760,510	\$ 3,948,535	\$ 4,145,962	\$ 4,353,260
Long Term Debt	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000
Total Debt	\$ 13,270,269	\$ 13,581,438	\$ 13,760,510	\$ 13,948,535	\$ 14,145,962	\$ 14,353,260
Shareholders Equity	\$ 8,793,824	\$ 9,311,365	\$ 9,932,784	\$ 10,663,273	\$ 11,508,287	\$ 12,473,551
Total Liabilities and SHE	\$ 22,064,093	\$ 22,892,803	\$ 23,693,294	\$ 24,611,809	\$ 25,654,249	\$ 26,826,812

APPENDIX1-Forecasted Baseline Financials

Statement of Cash Flows



	Actuals 2025	Projected				
		2026	2027	2028	2029	2030
Operating Activities						
Net Income	\$ 156,724	\$ 517,541	\$ 621,418	\$ 730,489	\$ 845,014	\$ 965,264
Depreciation	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Changes in Working Capital:						
Accounts Receivable		\$ (688,477)	\$ (134,424)	\$ (141,145)	\$ (148,202)	\$ (155,613)
Inventories		\$ 819,155	\$ (86,415)	\$ (90,736)	\$ (95,273)	\$ (100,037)
Other Current Assets		\$ 109,808	\$ (14,018)	\$ (14,719)	\$ (15,455)	\$ (16,228)
Accounts Payable		\$ (176,936)	\$ 38,887	\$ 40,831	\$ 42,873	\$ 45,016
Accrued Liabilities		\$ 437,304	\$ 105,139	\$ 110,396	\$ 115,915	\$ 121,711
Other Current Liabilities		\$ 50,802	\$ 35,046	\$ 36,799	\$ 38,638	\$ 40,570
Total Changes in Working Capital		\$ 551,655	\$ (55,786)	\$ (58,575)	\$ (61,504)	\$ (64,579)
Cash From Operating Activities		\$ 2,069,197	\$ 1,565,632	\$ 1,671,914	\$ 1,783,510	\$ 1,900,685
Investing Activities						
Capital Acquisitions	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Capital Dispositions		\$ -	\$ -	\$ -	\$ -	\$ -
Cash From Investing Activities		\$ (1,000,000)	\$ (1,000,000)	\$ (1,000,000)	\$ (1,000,000)	\$ (1,000,000)
Financing Activities						
Borrowing		\$ -	\$ -	\$ -	\$ -	\$ -
Payback		\$ -	\$ -	\$ -	\$ -	\$ -
Equity Issued		\$ -	\$ -	\$ -	\$ -	\$ -
Equity Buyback		\$ -	\$ -	\$ -	\$ -	\$ -
Dividends		\$ -	\$ -	\$ -	\$ -	\$ -
Cash From Financing Activities		\$ -	\$ -	\$ -	\$ -	\$ -
Increase (Decrease) in Cash		\$ 1,069,197	\$ 565,632	\$ 671,914	\$ 783,510	\$ 900,685

APPENDIX2-Forecasted Optimistic Financials
Income Statement



	Actuals	Projected				
	2025	2026	2027	2028	2029	2030
Net Sales	\$ 13,350,950	\$ 14,953,064	\$ 16,747,432	\$ 18,757,123	\$ 21,007,978	\$ 23,528,936
Cost of Sales	\$ 6,743,000	\$ 5,981,226	\$ 6,698,973	\$ 7,502,849	\$ 8,403,191	\$ 9,411,574
Gross Profit	\$ 6,607,950	\$ 8,971,838	\$ 10,048,459	\$ 11,254,274	\$ 12,604,787	\$ 14,117,361
Operating Expenses	\$ 4,287,556	\$ 4,485,919	\$ 5,024,230	\$ 5,627,137	\$ 6,302,393	\$ 7,058,681
Other Operating Expenses	\$ 119,466	\$ 149,531	\$ 167,474	\$ 187,571	\$ 210,080	\$ 235,289
EBITDA	\$ 2,200,928	\$ 4,336,389	\$ 4,856,755	\$ 5,439,566	\$ 6,092,314	\$ 6,823,391
Depreciation Expense	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
EBIT	\$ 1,200,928	\$ 3,336,389	\$ 3,856,755	\$ 4,439,566	\$ 5,092,314	\$ 5,823,391
Interest Expense, Net	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Pre-Tax Income	\$ 200,928	\$ 2,336,389	\$ 2,856,755	\$ 3,439,566	\$ 4,092,314	\$ 4,823,391
Income Taxes	\$ 44,204	\$ 514,005	\$ 628,486	\$ 756,704	\$ 900,309	\$ 1,061,146
Net Income	\$ 156,724	\$ 1,822,383	\$ 2,228,269	\$ 2,682,861	\$ 3,192,005	\$ 3,762,245
Net Profit Margin	1.17%	12.19%	13.31%	14.30%	15.19%	15.99%

APPENDIX2-Forecasted Optimistic Financials
Balance Sheet



	Actuals 2025	Projected				
		2026	2027	2028	2029	2030
Assets						
Cash & Cash Equivalents	\$ 2,126,450	\$ 6,300,361	\$ 8,610,728	\$ 11,385,540	\$ 14,680,529	\$ 18,558,117
Accounts Receivable	\$ 2,000,002	\$ 1,843,528	\$ 2,064,752	\$ 2,312,522	\$ 2,590,025	\$ 2,900,828
Inventories	\$ 2,547,463	\$ 1,147,084	\$ 1,284,734	\$ 1,438,903	\$ 1,611,571	\$ 1,804,959
Other Current Assets	\$ 390,178	\$ 299,061	\$ 334,949	\$ 375,142	\$ 420,160	\$ 470,579
Total Current Assets	\$ 7,064,093	\$ 9,590,035	\$ 12,295,163	\$ 15,512,107	\$ 19,302,284	\$ 23,734,483
Property, Plant, & Equipment, Net	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000
Total Assets	\$ 22,064,093	\$ 24,590,035	\$ 27,295,163	\$ 30,512,107	\$ 34,302,284	\$ 38,734,483
Liabilities and Shareholders Equity						
Accounts Payable	\$ 954,675	\$ 983,215	\$ 1,101,201	\$ 1,233,345	\$ 1,381,347	\$ 1,547,108
Accrued Liabilities	\$ 1,665,471	\$ 2,242,960	\$ 2,512,115	\$ 2,813,569	\$ 3,151,197	\$ 3,529,340
Other Current Liabilities	\$ 650,123	\$ 747,653	\$ 837,372	\$ 937,856	\$ 1,050,399	\$ 1,176,447
Total Current Liabilities	\$ 3,270,269	\$ 3,973,828	\$ 4,450,687	\$ 4,984,770	\$ 5,582,942	\$ 6,252,895
Long Term Debt	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000
Total Debt	\$ 13,270,269	\$ 13,973,828	\$ 14,450,687	\$ 14,984,770	\$ 15,582,942	\$ 16,252,895
Shareholders Equity	\$ 8,793,824	\$ 10,616,207	\$ 12,844,476	\$ 15,527,337	\$ 18,719,342	\$ 22,481,587
Total Liabilities and SHE	\$ 22,064,093	\$ 24,590,035	\$ 27,295,163	\$ 30,512,107	\$ 34,302,284	\$ 38,734,483

APPENDIX2-Forecasted Optimistic Financials
Statement of Cash Flows



	Actuals 2025	Projected				
		2026	2027	2028	2029	2030
Operating Activities						
Net Income	\$ 156,724	\$ 1,822,383	\$ 2,228,269	\$ 2,682,861	\$ 3,192,005	\$ 3,762,245
Depreciation	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Changes in Working Capital:						
Accounts Receivable		\$ 156,474	\$ (221,223)	\$ (247,770)	\$ (277,503)	\$ (310,803)
Inventories		\$ 1,400,379	\$ (137,650)	\$ (154,168)	\$ (172,668)	\$ (193,389)
Other Current Assets		\$ 91,117	\$ (35,887)	\$ (40,194)	\$ (45,017)	\$ (50,419)
Accounts Payable		\$ 28,540	\$ 117,986	\$ 132,144	\$ 148,001	\$ 165,762
Accrued Liabilities		\$ 577,489	\$ 269,155	\$ 301,454	\$ 337,628	\$ 378,144
Other Current Liabilities		\$ 97,530	\$ 89,718	\$ 100,485	\$ 112,543	\$ 126,048
Total Changes in Working Capital		\$ 2,351,528	\$ 82,098	\$ 91,950	\$ 102,984	\$ 115,342
Cash From Operating Activities		\$ 5,173,911	\$ 3,310,368	\$ 3,774,812	\$ 4,294,989	\$ 4,877,588
Investing Activities						
Capital Acquisitions	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Capital Dispositions		\$ -	\$ -	\$ -	\$ -	\$ -
Cash From Investing Activities		\$ (1,000,000)	\$ (1,000,000)	\$ (1,000,000)	\$ (1,000,000)	\$ (1,000,000)
Financing Activities						
Borrowing		\$ -	\$ -	\$ -	\$ -	\$ -
Payback		\$ -	\$ -	\$ -	\$ -	\$ -
Equity Issued		\$ -	\$ -	\$ -	\$ -	\$ -
Equity Buyback		\$ -	\$ -	\$ -	\$ -	\$ -
Dividends		\$ -	\$ -	\$ -	\$ -	\$ -
Cash From Financing Activities		\$ -	\$ -	\$ -	\$ -	\$ -
Increase (Decrease) in Cash		\$ 4,173,911	\$ 2,310,368	\$ 2,774,812	\$ 3,294,989	\$ 3,877,588