

# Cash Flow Analysis

Borrower Name Johnny T Borrower & Susan Borrower

The following self-employed income analysis worksheet and accompanying guidelines generally apply to individuals:

- Who have 25% or greater interest in a business     
  Who are employed by family members     
  Who are paid commissions     
  Who own rental property
- Who receive variable income, have earnings reported on IRS Form 1099, or income that cannot otherwise be verified by an independent and knowable source.

	Yr. 2004	Yr. 2005
<b>Form 1040 - Individual Income Tax Return</b>		
1. Total Income	113446.20	111823.10
2. Wages, salaries considered elsewhere	(-) -35750.00	(-) -38990.00
3. Tax-Exempt Interest Income	(+)	(+)
4. State and Local Tax Refunds	(-) -834.01	(-) -554.00
5. Nonrecurring Alimony Received	(-) -7000.00	(-)
6. Negate Schedule D (Income) Loss	(+/-)	(+/-)
7. Pension and/or IRA Distributions (Non-taxable portion)	(+)	(+)
8. Negate Schedule E (income) Loss	(+/-)	(+/-)
9. Nonrecurring Unemployment Compensation	(-)	(-)
10. Social Security Benefit (Non-taxable portion)	(+)	(+)
11. Nonrecurring Other (Income) Loss	(+/-) -3801.07	(+/-)
12. Other (Review 'Misc. Income/(loss) Worksheet')		
<b>Form 2106 - Employee Business Expenses</b>		
13. Total Expenses	(-) -4005.00	(-) -3500.00
14. Depreciation	(+) 2009.00	(+) 2437.00
<b>Schedule B - Interest and Dividend Income</b>		
15. Nonrecurring Interest Income	(-) -2022.24	(-) -1800.00
16. Nonrecurring Dividend Income	(-) -701.11	(-)
<b>Schedule C - Profit or Loss from Business : Sole Proprietorship</b>		
17. Nonrecurring Other (Income) Loss/Expenses	(+/-) -1800.00	(+/-)
18. Depletion	(+)	(+)
19. Depreciation	(+) 2711.15	(+) 2674.00
20. Meals and Entertainment Exclusion	(-) -346.22	(-) -300.00
21. Business Use of Home	(+) 2811.15	(+) 2800.00
22. Amortization/Casualty Loss	(+)	(+)
<b>Schedule D - Capital Gains and Losses</b>		
23. Recurring Capital Gains/(Loss)	(+/-)	(+/-)
<b>Form 4797 - Sales of Business Property</b>		
24. Recurring Capital Gains/(Loss)	(+/-)	(+/-)
<b>Form 6252 - Installment Sale Income</b>		
25. Principal Payments Received	(+)	(+)
<b>Schedule E - Supplemental Income and Loss</b>		
26. Gross Rents and Royalties Received	(+)	(+)
27. Total Expenses Before Depreciation	(-)	(-)
28. Amortization/Casualty Loss/Non-recurring Expenses	(+)	(+)
29. Insurance, Mortgage Interest, and Taxes included in PITI payment (Only if using the property's full PITI payment in qualifying ratios)	(+)	(+)
<b>Schedule F - Profit or Loss from Farming</b>		
30. Non-Tax Portion Ongoing Coop and CCC Payments	(+)	(+)
31. Nonrecurring Other (Income) Loss	(+/-)	(+/-)
32. Depreciation	(+)	(+)
33. Amortization/Casualty Loss/Depletion	(+)	(+)
34. Business Use of Home	(+)	(+)
<small>(Consider K-1 income only if the borrower can document ownership and access to income, the business has adequate liquidity to support withdrawal, and the business has positive sales and earning trends)</small>		
<b>Partnership Schedule K-1 (Form 1065)</b>		
35. Ordinary Income (Loss)	(+/-)	(+/-)
36. Net Income (Loss)	(+/-)	(+/-)
37. Guaranteed Payments to Partner	(+)	(+)
<b>S Corporation Schedule K-1 (Form 1120s)</b>		
38. Ordinary Income (Loss)	(+/-)	(+/-)
39. Net Income (Loss)	(+/-)	(+/-)
<b>1040 Total</b>	<b>64717.83</b>	<b>74590.08</b>



**Partnerships, S Corporations, and Corporations**

Whether or not additional income from a Partnership, S Corporation, or regular corporation is used to qualify an applicant, lenders must still conduct an analysis of the business tax returns to ensure a consistent pattern of profitability. Any loss resulting from this analysis must be deducted from cash flow as it represents a drain on the borrower's income.

The following sources of income may be considered for qualification provided:

- The borrower can document ownership and access to income:
- The business has adequate liquidity to support withdrawal of earnings; and
- The business has positive sales and earning trends

**Partnership - Form 1065**

	Yr. 2004	Yr. 2005
40. Passthrough (Income) Loss from Other Partnerships	(+/-) _____	(+/-) _____
41. Nonrecurring Other (Income) Loss	(+/-) _____	(+/-) _____
42. Depreciation	(+) _____	(+) _____
43. Depletion	(+) _____	(+) _____
44. Amortization/Casualty Loss	(+) _____	(+) _____
45. Mortgage or Notes Payable in Less than 1 Year	(-) _____	(-) _____
46. Meals and Entertainment Exclusion	(-) _____	(-) _____
47. Subtotal	_____	_____
48. Partnership Total (subtotal multiplied by % ownership)	_____	_____



**S Corporation - Form 1120S**

49. Nonrecurring Other (Income) Loss	(+/-) _____	(+/-) _____
50. Depreciation	(+) _____	(+) _____
51. Depletion	(+) _____	(+) _____
52. Amortization/Casualty Loss	(+) _____	(+) _____
53. Mortgage or Notes Payable in Less than 1 Year	(-) _____	(-) _____
54. Meals and Entertainment Exclusion	(-) _____	(-) _____
55. Subtotal	_____	_____
56. S Corporation Total (subtotal multiplied by % ownership)	_____	_____

**Regular Corporation - Form 1120**

57. Taxable Income	_____	_____
58. Total Tax	(-) _____	(-) _____
59. Nonrecurring (Gains) Losses	(+/-) _____	(+/-) _____
60. Nonrecurring Other (Income) Loss	(+/-) _____	(+/-) _____
61. Depreciation	(+) _____	(+) _____
62. Depletion	(+) _____	(+) _____
63. Amortization/Casualty Loss	(+) _____	(+) _____
64. Net Operating Loss and Special Deductions	(+) _____	(+) _____
65. Mortgage or Notes Payable in Less than 1 Year	(-) _____	(-) _____
66. Meals and Entertainment Exclusion	(-) _____	(-) _____
67. Subtotal	_____	_____
68. Subtotal Multiplied by Ownership Percentage	_____	_____
69. Less: Dividends Paid to Borrower	(-) _____	(-) _____
70. Corporation Total	_____	_____

**Totals**

1040 total	64717.83	74590.08
Partnerships, S Corporation, and Corporation totals	_____	_____

<b>Grand Total</b>	64717.83	74590.08
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Year-to-Date income from profit and loss statements may only be considered if it is consistent with the previous years' earnings. Allowable addbacks include depreciation, depletion, and other non-cash expenses as identified above.

**Year-to-Date Profit and Loss Statement**



Salary/Draw to individual				
Net Profit	_____	X	%Ownership =	_____
Total Allowable Addbacks	_____	X	%Ownership =	_____
Year-to-Date Total				_____