## Cash Flow Analysis Worksheet

**Borrower Name:** ___________________________  **Business:** ___________________________

### I. Form 1040 – Individual Federal Income Tax Return

<table>
<thead>
<tr>
<th>Description</th>
<th>MOST RECENT YEAR</th>
<th>PRIOR YEAR</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. <strong>W2 Income From Self Employment</strong></td>
<td>W2s - Box 5</td>
<td></td>
</tr>
</tbody>
</table>

### II. Schedule B – Interest and Dividends

<table>
<thead>
<tr>
<th>Description</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. <strong>Interest Income from Self-Employment</strong></td>
<td>Line 1 (as itemized)</td>
<td></td>
</tr>
<tr>
<td>2. <strong>Dividend Income from Self-Employment</strong></td>
<td>Line 5 (as itemized)</td>
<td></td>
</tr>
</tbody>
</table>

### III. Schedule C – Sole Proprietorship

<table>
<thead>
<tr>
<th>Description</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. <strong>Net Profit or (Loss)</strong></td>
<td>Line 31 (+/-)</td>
<td></td>
</tr>
<tr>
<td>2. <strong>Nonrecurring Other Income / Loss</strong></td>
<td>Line 6 (+/-)</td>
<td></td>
</tr>
<tr>
<td>3. <strong>Depreciation</strong></td>
<td>Line 12</td>
<td></td>
</tr>
<tr>
<td>4. <strong>Depreciation</strong></td>
<td>Line 13 (+/-)</td>
<td></td>
</tr>
<tr>
<td>5. <strong>Non-deductible Meals &amp; Entert. Excl.</strong></td>
<td>Line 24b</td>
<td></td>
</tr>
<tr>
<td>6. <strong>Business Use of Home</strong></td>
<td>Line 30 (+/-)</td>
<td></td>
</tr>
<tr>
<td>7. <strong>Amortization/Casualty Loss</strong></td>
<td>Page 2, Part V (+/-)</td>
<td></td>
</tr>
<tr>
<td>8. <strong>Mileage Depreciation</strong></td>
<td>Line 44a or Form 4562, Line 30 x IRS Depreciation Rate</td>
<td></td>
</tr>
</tbody>
</table>

### IV. Schedule D – Capital Gains and Losses

<table>
<thead>
<tr>
<th>Description</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. <strong>Recurring Capital Gains</strong></td>
<td>Parts I &amp; II (+/-)</td>
<td></td>
</tr>
</tbody>
</table>

### V. Schedule E – Royalties (use separate worksheet for rental income analysis)

<table>
<thead>
<tr>
<th>Description</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. <strong>Gross Royalties Received</strong></td>
<td>Line 4 (applicable columns)</td>
<td></td>
</tr>
<tr>
<td>2. <strong>Total Expenses</strong></td>
<td>Line 20 (-)</td>
<td></td>
</tr>
<tr>
<td>3. <strong>Depreciation</strong></td>
<td>Line 18 (+/-)</td>
<td></td>
</tr>
</tbody>
</table>

### VI. Schedule F – Profit or Loss from Farming

<table>
<thead>
<tr>
<th>Description</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. <strong>Net Profit or (Loss)</strong></td>
<td>Line 34 (+/-)</td>
<td></td>
</tr>
<tr>
<td>2. <strong>Non-Tax Portion ongoing Coop &amp; CCC</strong></td>
<td>Lines (3a-3b)+(4a-4b)+(5b-5c)+(6a-6b)</td>
<td></td>
</tr>
<tr>
<td>3. <strong>Nonrecurring Other Income / Loss</strong></td>
<td>Line 8 (+/-)</td>
<td></td>
</tr>
<tr>
<td>4. <strong>Depreciation</strong></td>
<td>Line 14 (+/-)</td>
<td></td>
</tr>
<tr>
<td>5. <strong>Amortization/Casualty Loss/Depletion</strong></td>
<td>Line 32 (as itemized)</td>
<td></td>
</tr>
<tr>
<td>6. <strong>Business Use of Home/One Time</strong></td>
<td>Line 32 (as itemized)</td>
<td></td>
</tr>
</tbody>
</table>

### VII. Partners Share of Income – Schedule K-1 (Form 1065)

<table>
<thead>
<tr>
<th>Description</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. <strong>Ordinary Income/Loss, Net Rental/Other</strong></td>
<td>Lines 1, 2, 3 OR (+/-)</td>
<td></td>
</tr>
</tbody>
</table>

**Distributions Line 19a**

**Very Important! Refer to Tips & Hints to determine allowable amount of Income/Loss to enter in this section.**

<table>
<thead>
<tr>
<th>Description</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2. <strong>Guaranteed Payments to Partners</strong></td>
<td>Line 4</td>
<td></td>
</tr>
</tbody>
</table>
### VIII. Partnership (Form 1065)

1. Ordinary (Income) or Loss from other partnerships  
   Line 4  

2. **Nonrecurring** Other (Income) / Loss  
   Lines 5, 6 & 7  

3. Depreciation  
   Line 16a  

4. Depletion  
   Line 17  

5. Amortization/Casualty Loss  
   Line 20 (as itemized)  

6. Mortgage/Notes Payable <1 Year  
   Schedule L, Line 16, Column D  
   ( ) - ( )  

   Schedule M1, Line 4b  
   ( ) - ( )  

8. Subtotal  
   Combine Lines 1 – 7, Section VIII  
   Ownership % ___________  

9. Total Adjustment to Business Cash Flow  
   Multiply subtotal by ownership %  
   ___________  

### IX. Shareholders Share of Income – Schedule K-1 (Form 1120S)

1. Ordinary Income/Loss, Net Rental/Other Income/Loss  
   Lines 1, 2, 3 OR  
   Distributions  
   Line 16D  

Very Important! Refer to Tips & Hints to determine allowable amount of Income/Loss to enter in this section.  

### X. S-Corporation (Form 1120S)

1. **Nonrecurring** Other (Income) / Loss  
   Lines 4 & 5  

2. Depreciation  
   Line 14  

3. Depletion  
   Line 15  

4. Amortization/Casualty Loss/One Time  
   Line 19 (as itemized)  

5. Mortgages/Notes Payable <1 Year  
   Schedule L, Line 17, Column D  
   ( ) - ( )  

   Schedule M1, Line 3b  
   ( ) - ( )  

7. Subtotal  
   Combine Lines 1 – 6, Section X  
   Ownership % ___________  

8. Total Adjustment to Business Cash Flow  
   Multiply subtotal by ownership %  
   ___________  

### XI. Corporation (Form 1120)

1. Taxable Income  
   Line 30  

2. Total Tax  
   Line 31  

3. **Nonrecurring** (Gains) or Losses  
   Lines 8 & 9  

4. **Nonrecurring** Other (Income) / Loss  
   Lines 10  

5. Depreciation  
   Line 20  

6. Depletion  
   Line 21  

7. Amortization/Casualty Loss  
   Line 26 (as itemized)  

8. Net Operating Loss/Special Deductions  
   Line 29c  

9. Mortgages/Notes Payable <1 Year  
   Schedule L, Line 17, Column D  
   ( ) - ( )
   Schedule M1, Line 5c  
   \[ (\quad ) - (\quad ) \]

11. Subtotal  
   Combine Lines 1 – 10, Section XI  
   \[ \quad = \quad \]

12. Adjusted Subtotal  
   Ownership % \[ \quad = \quad \]

13. Enter Corporate Dividends Paid  
   From Schedule B, Form 1040, This Corp  
   Subtract Dividends from Subtotal  
   \[ \quad - \quad \]

14. Total Corporate Income  
   \[ \quad = \quad \]

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**WORKSHEET TOTALS**

**Personal Tax Returns**  
Combine All Lines Sections (I-VII)+IX  
\[ \quad (\quad ) \]

**Partnership Return**  
Enter Amount from Section VIII, Line 9  
\[ \quad (\quad ) \]

**S-Corporation Return**  
Enter Amount from Section X, Line 8  
\[ \quad (\quad ) \]

**Corporation Return**  
Enter Amount from Section XI, Line 14  
\[ \quad (\quad ) \]

**Total Income from Tax Returns**  
Combine Personal & Business Incomes  
\[ \quad = \quad \]

**Total Income** \[ \quad \div \quad \] # months ____ = __________ Monthly Income

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**LIQUIDITY WORKSHEET**

**Schedule L - Assets**  
MOST RECENT YEAR_____

1. Cash  
   Line 1, Column d  
   \[ \quad \]

2. Trade Notes and Accounts Receivable  
   Line 2b, Column d  
   \[ \quad \]

3. Inventories  
   Line 3, Column d  
   \[ \quad \]

4. Other Current Assets  
   Line 6, Column d  
   (use caution, review itemized statement and only include applicable amounts)  
   \[ \quad \]

5. Total Current Assets  
   Combine Lines 1 – 4  
   \[ \quad \]

**Schedule L - Liabilities**

6. Accounts Payable  
   Line 15 (1065) Line 16 (1120S), Column d  
   \[ \quad \]

7. Mortgage notes bond payable less than one year  
   Line 16 (1065) Line 17 (1120S), Column d  
   \[ \quad \]

8. Other Current Liabilities  
   Line 17 (1065), Line 18 (1120S), Column d  
   (review itemized statement)  
   \[ \quad \]

9. Total Current Liabilities  
   Combine Lines 6 – 8  
   \[ \quad \]

**Current Ratio**  
Divide Total Current Assets (Line 5)  
by Total Current Liabilities (Line 9)  
\[ \quad \]

**Quick Ratio**  
Divide Current Assets (Lines 1 + 2)  
by Total Current Liabilities (Line 9)  
\[ \quad \]
TIPS & HINTS

IF interest or dividend income, verify the payer is the same entity as the borrower's business (review Schedule B, Part I or II and/or Schedule K-1 or Form 1099)

FNMA - IF Business capital gain, evaluate the consistency or likelihood of continuance of any gains reported on Schedule D from a business through via the K-1 (Form 1065 / 1120S). Do not include business capital gains if inconsistent or one-time occurrence.

Note: Business capital losses on Schedule D do not have to be considered when calculating income or liabilities (even if recurring).

FHLMC - Document that sufficient assets remain after closing to support continuance of the capital gain income, at the level used for qualifying, for at least the next three years, most recent two-years of realized capital gains, 24-month average

- Review Line 22 of Form 2106 to determine whether the Standard Mileage Rate OR Actual Expenses have been claimed (Standard if complete, Actual if blank or $0):
  - If the Standard Mileage Rate has been claimed – Add the amounts on Line 13, then multiply the sum by the IRS Depreciation Rate
  - If Actual Expenses have been claimed – Add amounts on Line 28

- Schedule C: If there are no business miles on Line 44a, but the borrower claimed vehicle expenses on Line 9, check to see if the borrower was required to file Form 4562. Review Line 30 of 4562 for mileage, and calculate depreciation as above.

- Distributions:
  - FNMA B3-3.2.1-08 If there is a stable history of receiving the distribution amount consistent with the level of business income needed to qualify then, enter this amount on the worksheet and NO further documentation is required to include the income in the borrower's cash flow OR
  - ORDINARY INCOME, NET RENTAL INCOME:
    - FNMA B3-3.2.2-01 and B3-3.2.2-02 Income from partnerships, SCorps, LLCs, estates, or trusts can only be considered if the lender obtains documentation verifying that:
      - the income was actually distributed to the borrower or
      - the business has adequate liquidity to support the withdrawal of earnings. If the Schedule K-1 provides this confirmation, no further documentation of business liquidity is required.

NOTE: Regardless of which box is used…
If borrower owns >25% in the business, complete analysis of business tax returns (section VIII or X) unless the requirements to waive business tax returns have been met.

FHLMC 5304.1
In the case of Partnerships and S corporations, analysis of the business must support that the business has sufficient liquidity and is financially capable of producing stable monthly income for the Borrower. The Seller may calculate and consider the liquidity ratios of the business using generally accepted accounting practices when analyzing the liquidity of the business. Although cash distributions reported on the Schedule K-1 may not be used as qualifying income, they may be used to establish business liquidity and access to business funds, provided they are reasonably consistent with the ordinary income. With liquidity verified borrower’s proportionate share of the income (ordinary income and/or guaranteed payments) from the K-1 may be used to qualify the borrower. For business income not reported on 1040 but being used to qualify, confirm the corporate resolution or partnership agreement does not restrict access.

- For FNMA B3-3.2.2-03, Corporate Income may only be used if Borrower has 100% ownership and the business has adequate liquidity to support the withdrawal of earnings.

- For FHLMC 5304.1, Income reported on the business tax returns but not on the personal tax returns may be considered as stable monthly income, provided the Seller’s analysis confirms that based on the financial strength of the business, the use of these funds as personal income would not have a detrimental impact on the business.

- Liquidity Ratios
  - For FNMA, For either ratio, a result of one or greater is generally sufficient to confirm adequate business liquidity to support the withdrawal of earnings.