

# Business Plan Glossary of Key Terms

*AT Legacy™ Toolkit – Appendix: Financial Definitions Simplified*

---

## 1. Cost of Goods Sold (COGS)

Direct costs to produce your product or deliver your service—like supplies, inventory, or tools. This does *not* include rent, marketing, or administrative costs.

---

## 2. Operating Expenses

Ongoing monthly costs to run your business—such as rent, advertising, insurance, software, and administrative salaries. These are *not* tied to a specific product.

---

## 3. Breakeven Point

The point where your income covers your total expenses—after this, your business begins to make a profit. It can be a specific month or revenue goal.

---

## 4. Gross Profit

Revenue minus COGS. This shows how much money is left after covering just the cost of delivering your service or product.

---

## 5. Net Profit

Your *actual* profit after subtracting all expenses (COGS + operating costs) from your revenue. Also called “the bottom line.”

---

## 6. Profit Margin (%)

A percentage that shows how much profit you make on each dollar of sales.

**Formula:**  $(\text{Net Profit} \div \text{Revenue}) \times 100$

---

## 7. Revenue

All the money your business brings in before any expenses are taken out.

---

## 8. EBITDA

**Earnings Before Interest, Taxes, Depreciation, and Amortization.** This shows how profitable your business is from operations alone—before things like loans or tax write-offs.

**Formula:**

$\text{EBITDA} = \text{Net Profit} + \text{Interest} + \text{Taxes} + \text{Depreciation} + \text{Amortization}$

**Example:**

If your net profit is \$50,000

- Interest: \$5,000
- Taxes: \$7,000
- Depreciation: \$3,000
- Amortization: \$2,000

**$\text{EBITDA} = \$50,000 + \$5,000 + \$7,000 + \$3,000 + \$2,000 = \$67,000$**

---

## 9. Cash Flow

The movement of money in and out of your business. Positive cash flow means more is coming in than going out—critical for survival.

---

## 10. Use of Funds

A breakdown of how you will spend investor or grant money. Example: 40% marketing, 30% equipment, 20% staff, 10% technology.

