

Spectrum Annual Report



2017-2018

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Table of Contents

Business Information

Letter to Stockholders	2
Financial Highlights.....	3
Board of Directors & Management	4

Financial Statements

Projected vs. Final

Income Statement.....	5
Balance Sheet.....	7
Cash Budget.....	9
Write Up.....	11

Management Discussion & Analysis

Financial Performance	12
Company Goals.....	12
Marketing & Advertising Plan.....	13
Advertising Campaign.....	13
Target Market.....	13
Trade Shows.....	14
Corporate Website.....	16
Corporate App.....	16
Brand Awareness.....	17
Risk.....	18
Strategic Direction.....	18

Appendix

Loan Payment Table.....	19
Sales Partnership.....	20

To Our Stockholders,

Spectrum reopened in August of 2018. We set a mission to create a quality, personalized product and experience for our VEI consumer by creating a professional business model, innovative product line, and hardworking philosophy. Spectrum built itself on a foundation of collaboration and with our customers as our number one priority, never skimping on our delivery of the most in-demand products for active, spirited young adults. Our product was thoughtfully made to include a spectrum of items tailored to what is in demand today. We sold athletic and sports wear packages with the intent to widen our range once we established a following and steady cash flow. Over the course of the year, Spectrum expanded to yoga and supreme packages, including seasonal packages to follow with annual trends.

It was absolutely vital for Spectrum to remain modern and original; in the Virtual Enterprises International economy, athletics are a popular trend. We had many competitors that also offered athletic wear, but it was less common that they offered packages with the combination of thoughtfully tailored items for customers. As a company, we worked to reinvent ourselves to shine at our most lucrative events - tradeshow - with our crowd-engaging activity. Spectrum's marketing and sales team created a pull up bar in order that allowed for competitions with real prizes to bring a crowd to the booth. This attraction was specific to Spectrum's target market and a necessity to increasing overall sales.

Concerning the future of Spectrum, we will be handing the controls over to another group of capable seniors at Neuqua Valley High School to remodel the Spectrum mission and product. We know the legacy of outstanding work ethic, collaboration, and individuality will carry on in the Spectrum name. The students at Neuqua valley are well prepared in the business courses previously required to take on this real world experience. Spectrum will continue to go beyond breaking even in coming years as sales continue and the Spectrum account lives on.

Spectrum produced a gross profit of **\$383,114.16** and earned a net income of **\$64,297.01** for the 2017-18 fiscal year. Though the financials were not as impressive as the company had hoped, we know what went wrong and are prepared to improve upon these issues moving forward. Due to a lack of information about the previous performance of the company, the chiefs were at a loss on how to price products, resulting in too low of prices at the re-opening of the company. Once prices were raised, Spectrum's revenue increased dramatically. To increase income for the next fiscal year, we will work to create stronger marketing efforts to improve online sales, as well as research competitors and the VEI market throughout the year to choose the best prices possible.

Sincerely,

Keelyn Hahn

Keelyn Hahn
Chief Executive Officer

Business Information

Financial Highlights

Sales by Month

Sales by Product

Board of Directors

Iris Blanc, Executive Director, Virtual Enterprise International
Nick Chapman, President and National Program Director
Wendy Schmitt, Great Lakes Regional Director
Kendra Lee, Illinois State Coordinator
Dr. Robert McBride, Principal, Neuqua Valley High School
John Hanson, Facilitator, Spectrum

Company Management

Keelyn Hahn, Chief Executive Officer
Dilip Robin, Chief Administrative Officer, Legal
Sanchita Kapoor, Chief Design Officer
Margaret Martin, Chief Financial Officer
Matthew Tarling, Chief Marketing Officer
Sarah Paolucci, Chief Project Manager
Kavya Vedurumudi, Vice President Accounting & Finance
Alexandra Blair, Vice President Human Resources

Partner

Christopher Martin, Commissioner of CCIW, Sales Partner

Financial Statements

Projected Income Statement

Final Income Statement

Projected Balance Sheet

Spectrum		
April 30, 2018		
Assets		
Current Assets:		
Cash	974,832.53	
Accounts Receivable	0.00	
Loan Receivable	20,000.00	
Merchandise Inventory	8,000.00	
Supplies	5,000.00	
Prepaid Insurance	10,000.00	
Total Current Assets		1,017,832.53
Plant Assets:		
Computers	22,000.00	
Office Equipment	26,230.00	
Total Plant Assets		48,230.00
Total Assets		1,066,062.53
Liabilities		
Current Liabilities:		
Medicare Tax Payable	2,497.78	
Rent Payable	14,000.00	
Salaries Payable	172,260.00	
Sales Tax Payable	19,054.24	
Social Security Tax Payable	10,680.12	
Unemployment Tax Payable- Federal	1,378.08	
Unemployment Tax Payable- State	9,302.04	
Utilities Payable	4,102.00	
Total Current Liabilities		233,274.26
Stockholders Equity		
Capital Stock		
Retained Earnings	703,593.27	
Sales Contract	129,195.00	
Total Stockholders Equity		832,788.27
Total Liabilities & Stockholders Equity		1,066,062.53

Final Balance Sheet

Spectrum		
April 30, 2018		
Assets		
Current Assets:		
Cash	1,025,268.16	
Accounts Receivable	0.00	
Loan Receivable	0.00	
Merchandise Inventory	12,247.00	
Supplies	5,000.00	
Prepaid Insurance	0.00	
Total Current Assets		1,042,515.16
Plant Assets:		
Computers	22,000.00	
Office Equipment	26,230.00	
Total Plant Assets		48,230.00
Total Assets		1,090,745.16
Liabilities		
Current Liabilities:		
Medicare Tax Payable	1,785.77	
Rent Payable	16,000.00	
Salaries Payable	172,260.00	
Sales Tax Payable	38,493.56	
Social Security Tax Payable	7,635.70	
Unemployment Tax Payable- Federal	7,389.39	
Unemployment Tax Payable- State	18,043.02	
Utilities Payable	14,021.29	
Total Current Liabilities		275,628.73
Stockholders Equity		
Capital Stock		
Retained Earnings	685,921.43	
Sales Contract	129,195.00	
Total Stockholders Equity		815,116.43
Total Liabilities & Stockholders Equity		1,090,745.16

Projected Cash Budget

Spectrum		
Cash Budget		
1	Cash balance at beginning of period:	974,832.53
	Receipts of cash:	
	Sales	78,099.29
	Receipts of accounts receivable	0.00
	Other	0.00
2	Total receipts	78,099.29
3	Beginning balance + cash receipts	1,052,931.82
	Payments:	
	Cost of merchandise	9,660.00
	Salaries	24,608.57
	Accounts payable	0.00
	Rent	2,000.00
	Advertising/ promotion	4,500.00
	Payroll tax	3,408.29
	Insurance	75.00
	Accounting and legal fees	82.00
	Utilities	586.00
	Interest	35.00
	Shipping	14,622.49
	Sales tax	5,466.95
4	Total payments	65,044.30
5	Cash balance at end of period:	987,887.52
6	Net increase in cash:	13,054.99

Final Cash Budget

Spectrum		
Cash Budget		
1	Cash balance at beginning of period:	960,981.15
	Receipts of cash:	
	Sales	420,230.16
	Receipts of accounts receivable	0.00
	Other	0.00
2	Total receipts	420,230.16
3	Beginning balance + cash receipts	1,381,211.31
	Payments:	
	Cost of merchandise	37,116.00
	Rent	12,000.00
	Utilities	3,516.00
	Interest	22,508.34
	Insurance	450.00
	Salaries	170,475.00
	Payroll taxes	23,610.79
	Sales tax	21,308.01
	Charitable donations	5,232.37
	Corporate income tax	15,314.52
	Other	44,412.11
4	Total payments	355,943.14
5	Cash balance at end of period:	1,025,268.17
6	Net increase in cash:	64,287.01

Financial Write-Up

From 2017-2018, Spectrum worked hard to break even each month. Our sales began strong in November, making over \$100,000 in sales at the Southern Regional Conference & Exhibition in Pigeon Forge, TN. Sales then dropped significantly due to winter break and difficulties in the marketing department, resulting in a net loss for the months of December and January. Online sales were low again in March, but increased significantly in February and April due to trade show success; Spectrum attended the Great Lakes Regional Conference & Exhibition in February and the Bay Area Conference & Exhibition in March, as well as partaking in the Midwest Online Trade Show. Expenses slowly increased as the year progressed. As sales increased, Spectrum gave bonuses and raised salaries. With a gross profit of \$383,114.16 and total expenses of \$318,827.15, the company ended the year with a net income of \$64,287.01.

Ratio Analysis

Current Ratio: **3.8**

The current ratio refers to Spectrum's ability to pay off its short-term liabilities when due. The higher current ratio indicates the strong amount of cash on hand.

Quick Ratio: **3.7**

Spectrum's quick ratio of 3.7 represents our strong cash flow. This demonstrates how our firm is in a strong position to handle any unforeseen expenses.

Debt to Asset Ratio: **0.3**

Spectrum's low debt to asset ratio signifies that our firm has low liabilities. This is beneficial as it allows Spectrum to prosper without the burden of unnecessary debt.

Gross Profit Margin: **91.2%**

Spectrum's gross profit margin is very high, which is beneficial to the company. It shows how the company's cost of goods sold is significantly lower than the revenues, leaving a high amount of money left over to cover expenses and taxes.

Net Profit Margin Ratio: **15.3%**

Our net profit margin ratio shows that 15.3% of Spectrum's sales were retained as net income. This strong ratio confirms that the company has a strong handle on expenses compared to sales.

Management Discussion & Analysis

Financial Performance and Goals

The top financial goal for Spectrum during the 2017 - 2018 year was to break even. Ending the year with a net income of \$64,000, Spectrum was able to exceed this goal. While the sales were not exceptionally high and fairly inconsistent throughout the year, the accounting and finance department worked hard to keep expenses at a minimum to ensure profit at the end of the year. Another goal that Spectrum set for the accounting team was to negotiate a sales contract in order to increase sales. One of Spectrum's top accountants, along with its corporate lawyer and Chief Project Manager, worked with Christopher Martin, the athletic commissioner of the College Conference of Illinois and Wisconsin, to create a contract in which Martin earned a 2% royalty and Spectrum products in return for covering 75% of Spectrum's projected salary expense, totaling around \$130,000. This contract, making up 30% of the yearly sales, was a huge success.

Company Goals

At the beginning of the year, Spectrum was hoping to make about \$100,000 for its net profit. Unfortunately, we did not reach this goal; we ended with a net profit of \$64,287.01. Spectrum's accounting and finance team believes this resulted from inefficient marketing. We priced our products too low in the beginning of the year, setting us behind our competitors. However, our main revenue came from the sales contract and trade shows. Due to a lack of effective marketing efforts, the online sales lacked throughout the year, which significantly affected the the net profit at the end of the year.

Beyond the monetary aspect, Spectrum focused on ensuring a welcoming environment and positive workplace. Spectrum's human resources department set forth team bonding activities such as yoga, meditation, and office olympics. By starting class with daily meetings, the company comradery helped improve production and efficiency in the workroom. Spectrum worked hard to release new packages, create innovative commercials, and online advertisements. Despite the monetary setbacks, Spectrum reached success in its comradery and communication to its customers.

Marketing and Advertising Plan

Starting in November, the sales and marketing department was new to the expectations and components required of the VEI industry. Choosing to utilize social media first, the marketing department was able to efficiently communicate to past customers while networking to create new relationships as well. The team promoted previews to Spectrum's product line and attached new commercials and flyers for trade shows. This marketing technique was extremely beneficial to the company, because it made our company more personable to other VEI companies. Our sales skyrocketed at the beginning of the year following Southern Regional Conference & Exhibition and strategic marketing plan. Additionally, Twitter allowed us to stay informed about what other companies had to offer and inspired by their new ideas.

Advertising Campaign

In order to prepare for Spectrum's first trade show, the marketing and sales department researched key attraction points for customers in a busy trade show environment. The team determined that the best results arise when the consumer receives something from coming to the booth such as a free product or a coupon code. The marketing department reached to be more unique and aimed to stand out from other companies with a similar idea. As an athletically driven company, Spectrum chose to incorporate a fitness activity with a reward as a way to entice people to our booth. The team determined to include a pull-up bar contest with a gift card as a reward. If employees spent x amount of dollars at Spectrum (prices varied dependent upon the trade show) to be given the chance to enter the competition. At the trade show, Spectrum employees would chant the number of pull-ups as a noise attraction and use the physical bar as a visual attraction. Spectrum definitely stood out at the trade show which was a huge success! From trade show to trade show, customers remembered us at the company with the pull-up bar. The pull-up bar competition encouraged a unique form of networking, company recognition, and a promotion of Spectrum's healthy ideologies.

Target Markets

Since Spectrum is an athletic based company, the main target market are males and females with a focus on health and working out. The first trade show revealed that 80% of purchases were placed by males. The marketing department decided to release a new product to appeal to more females. With this in mind, Spectrum released a female athletic clothing package and a yoga kit. This shift in target markets was very successful as the next trade show revealed much higher sales by females.

Trade Shows

Spectrum focused on creating a clean and concise booth at trade shows to represent its sporty and athletic product line while staying gender neutral and inviting. The main attraction at the first two trade shows was the pull up bar, used a competitive tool. Prior to each trade show, Spectrum would advertise itself on the company Twitter and Snapchat account communicating to other companies of Spectrum's upcoming participation and potential sales at the events. Once at the trade show, Spectrum would direct message companies on Twitter its booth number and set up deals between companies to buy from one another. Ultimately, the internet served as Spectrum's primary tool to notify other companies of its participation at a trade show prior to the event.

Midwest Trade Show - Pigeon Forge, TN

Spectrum participated in its first trade show of the new season in November of 2018 at the Midwest Trade Show in Pigeon Forge, Tennessee. With a new team and product line, Spectrum worked towards creating a recognisable face for the company. Design & IT and Marketing & Sales collaborated to determine appropriate decor and flyers to bring that would attract customers to the booth. This was the most successful trade show in terms of finances for Spectrum.

Great Lakes Trade Show - Rosemont, IL

Spectrum employees attended the Great Lakes Trade Show to help reach sales goals in February of 2018. The company had the ability to communicate and network with companies close to ourselves to develop and strengthen relationships. The pull-up bar was continued to be used at this trade show, and proved to be a hit once again. Spectrum did not receive as high of sales at this trade show, because there were less customers, and buyers had to use their own money rather than a \$5,000.00 VEI gift card. Employees who could not attend the trade show each worked to receive five additional sales per person by the end of February to meet their absence at the event.

Bay Area Trade Show - San Francisco, CA

In March 2018, Spectrum traveled to San Francisco, California to participate in the Bay Area Trade Show. As our biggest trade show, the Accounting & Finance department worked hard to determine the best prices to have a high profit margin at this trade show. Spectrum received a high amount of sales due to the large attendance at the event; however, with this large attendance came a high level of competition with similar companies. At this trade show, a pull-up bar was not possible to travel with. Instead, Spectrum chose to raffle off tickets to still give a Nike gift card to a customer.

Great Lakes Online Trade Show - Entirely Digital

Spectrum participated in its second online trade show this year! The Design & IT department created an abundance of promotional items to stand alone in a Google Drive folder as the voice of Spectrum, as this trade show was entirely digital. The promotional items they created included: a business card, flyer, catalog, brochure, and commercial. The online trade show served as one final chance for Spectrum to receive a bulk of sales and create concrete relationships for the company to have again in August of 2018.

Budgeted vs. Actual Trade Show Sales

	Budgeted Trade Show Sales	Actual Trade Show Sales
October	0.00	0.00
November	75000.00	100,784.85
December	0.00	0.00
January	0.00	0.00
February	75000.00	22,142.62
March	75000.00	42,476.90
April	0.00	51,912.50
Total	225,000.00	217316.87

Spectrum's budgeted trade show sales acutely follows the actual monetary amount produced from trade show sales. In the beginning of the year we predicted Spectrum to generate \$225,000; however, we produced \$217,316.87. Spectrum predicts this difference to be due to a lower starting product price and a miscalculation of the amount of people present at tradeshows. We projected the amount of people to be greater, hence a lower actual trade show amount.

Corporate Website

The website is an essential tool towards generating sales and increasing company recognition. By creating a functional website, Spectrum is able to generate sales for our company. Our design department was able to create a working website before the trade show; however, our sales did not increase until after the first trade show. In order to further generate sales, the design department continued to update the website with new product releases and improved features. These features include discount codes and other updates that increases the functionality of the website.

Corporate App

Spectrum is proud to announce itself as the first VEI company to code an original app! The company app, which can be downloaded onto all smart devices through a QR code, presents Spectrum's ideologies, product line, a customer survey, and provides access to buy packages directly off of the app. This new form of technology allowed Spectrum to

stand out uniquely amongst its competitors, and create a modern, professional base at trade shows. Spectrum advertised this feature to customers, professionals within Naperville, and it will be continued in future years for the company to expand.

Internet Sales Plan

After researching the VEI market, the company came to the conclusion that the largest profit would be from the trade shows due to the difficulty of being seen on a virtual market. Spectrum saw just over \$100,000 in sales at the Midwest Trade Show. Spectrum saw a negative trend in December and January as the marketing department was recuperating from the prior trade show and was not able to focus on marketing efforts. Sales increased again over the next few months as the company attended more trade shows. Though Spectrum did see a fast decrease in sales through the winter, the company steadily increased and ended the year successfully with a high amount of sales. The marketing department also improved throughout the year, improving how they handled sales, increasing customer relations. This brought in returning customers.

Brand Awareness

The branding of the Spectrum was incredibly important as it allowed Spectrum to be recognized in the market. In order to have a unique appeal, Spectrum's Design & IT department created a unique and sleek logo. By establishing a logo, departments within Spectrum collaborated to create additional business promotions: business cards, brochures, and flyers. These advertising materials aid in not only our company branding, but it also helps to generate our sales between trade shows and internet campaigns.

Risks

One of Spectrum's primary risks was that despite having innovative packages, not all of the products inside of each package appealed to its customers. The Marketing & Sales department determined the best products that were gender neutral and met the target market that would reduce the risks it took by creating a package based product line. Additionally, the team put forth research to release new short term packages based upon seasons and holidays to best connect with its customers.

Strategic Direction

At Spectrum, we plan to develop more kits, as well as bettering what we already have. Though the company started out with a focus on health and athletics, our plan is to open up the company to a wider target market by releasing high-fashion kits. Products like Gucci and Supreme are highly sought after, which Spectrum will take advantage of.

The deficit that Spectrum experienced during December and January was due to the company's reliance on trade shows in order to make sales. This reliance greatly impacted the company as it became more difficult to break even during those months without trade shows. In order to improve company sales, the marketing department will look into more effective marketing campaigns. We will look into efforts that will set us apart from our competitors.

Appendix

Loan Payment Table

Spectrum					
Loan Payable Table					
Fiscal year			2017-2018		
APR			4.75%		
2017-2018					
Report Date	Beginning Balance	Interest	Adjusted Balance	Payment	End Balance
1-Oct-17	\$ 43,879.63	\$ 173.69	\$ 44,053.32	\$3,751.39	\$ 40,301.93
1-Nov-17	\$ 40,301.93	\$ 159.53	\$ 40,461.46	\$3,751.39	\$ 36,710.07
1-Dec-17	\$ 36,710.07	\$ 145.31	\$ 36,855.38	\$3,751.39	\$ 33,103.99
1-Jan-18	\$ 33,103.99	\$ 131.04	\$ 33,235.03	\$3,751.39	\$ 29,483.64
1-Feb-18	\$ 29,483.64	\$ 116.71	\$ 29,600.34	\$3,751.39	\$ 25,848.95
1-Mar-18	\$ 25,848.95	\$ 102.32	\$ 25,951.27	\$3,751.39	\$ 22,199.88
1-Apr-18	\$ 22,199.88	\$ 87.87	\$ 22,287.76	\$3,751.39	\$ 18,536.37
1-May-18	\$ 18,536.37	\$ 73.37	\$ 18,609.74	\$3,751.39	\$ 14,858.35
1-Jun-18	\$ 14,858.35	\$ 58.81	\$ 14,917.16	\$3,751.39	\$ 11,165.77
1-Jul-18	\$ 11,165.77	\$ 44.20	\$ 11,209.97	\$3,751.39	\$ 7,458.58
1-Aug-18	\$ 7,458.58	\$ 29.52	\$ 7,488.10	\$3,751.39	\$ 3,736.71
1-Sep-18	\$ 3,736.71	\$ 14.79	\$ 3,751.51	\$3,751.51	\$ (0.00)
Total		\$ 1,137.17		\$ 45,016.80	\$ (0.00)