

## Investment Readiness Checklist:

This list provides some basic information that most investors will look for during their due diligence process. Keep in mind that each investor has developed a unique due diligence process. A business should be prepared for a lot of questions and site visits. Finally, when an investor approves an investment, it would be helpful to have a consultation on the term sheet and negotiation. Additional online resources are listed at the end of this section.

### Financial Reporting and Standards

- Audited financial statements for past 3 years or the life of the company
- Ability to report financials quarterly
- Financial model with 3-5 years of projections
- Realistic company valuation (if seeking equity)
- Strong cash flow and cash management
- Burn rate calculation
- Limited debts or debt/ equity ratio
- Accounting policies are compliant with international standards are in place and followed
- Previous and current years' budgets
- Accounts receivable and accounts payable policies that allow for a solid cash flow
- Qualified financial management personnel

### Operational Reporting and Standards

\*Operational risk is broadly defined as risk of loss attributed to people, processes, technology, and degree of vulnerability to external events

- Turnover rate
- Segregation of responsibilities related to accounting and finance (Does one person handle all of the money, sign the checks and is a singular signatory on the account?)
- Protections against employee fraud and misconduct
- Inventory policies
- Inventory turnover
- A human resources plan and policies
- Details of protection of intellectual property
- Adequate insurance coverage
- Verifiable record of paying taxes, licenses and other operating fees

### Market and Business Planning

- Completed business plan
- Pricing strategy
- Unique selling proposition or market niche
- Key partners are reliable and agreements are firm
- Distribution channels appropriate to market
- Solid sales force or sales strategy
- Strategic planning process is in place with regularly updated growth plan and strategy

## Good Governance

\*You can find tips [here](#)

- Constitution, By-laws
- Board of Directors that has the right mix of people, skills and abilities to develop the organization. A board is almost always a requirement for an equity investment.
- Written set of policies and procedures understood by the board
- Business plan and model well understood by the board
- Written code of conduct for the board
- Regular meetings and board member attendance at meetings
- Board members regularly receive and read reports including financial reports
- Board adequately “manages the manager”
- Management with a proven track record and necessary qualifications
- Undisputed share ownership

## Social Impact Reporting and Standards

- Compelling, socially/ environmentally focused mission statement
- Some measurement of social and/or environmental standards or impact
- System for tracking social and environmental impact
- A social rating from a previous investor or rating agency if possible

## The Pitch and the Deal

- Company Milestones
- PowerPoint or other sort of “pitch tool”
- Exit strategy
- Non-disclosure agreement
- Growth plan and use of investment
- Acknowledgement of risk and mitigates of risk, especially in operating environment

**\*Note:** Make sure the sell is appropriate to both the company and the investor. Some investors prefer large transactions and require a majority ownership and others prefer smaller transactions with minority ownership. However, the transaction must be big enough to justify the investor’s cost of investing and the risk. For example, many investors will not be interested in investments of less than \$100,000 USD.