

The Baratelli Field Note

Practitioner analysis for principals, family-office executives, and their advisors

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Income statement, balance sheet, cash flow - tied out, three years forward, plus a ratio dashboard a credit analyst would recognize. The artifact that separates a real CFO desk from a bookkeeper.

The Three-Statement Model Most Founders Never Build

"When I was a credit analyst at the bank we called it spreading the financials. Same thing. Different decade. The math hasn't changed." - the founder

1. The most common founder mistake at fundraise

The pitch deck has revenue projections. Sometimes it has EBITDA. Almost never does it have a tied-out three-statement forecast where the cash on the balance sheet at the end of Year 3 equals the starting cash plus the cumulative net change from the cash flow statement. That's the accounting identity. When the model doesn't tie out, every sophisticated investor on the other side of the table notices in the first three minutes - and most of them stop reading.

The Three-Statement Quick-Builder on the site exists because that's the gap. A founder enters Year 0 cash, AR, inventory, AP, debt, and equity; sets gross margin and OpEx assumptions; sets growth and capex; and the tool produces a tied-out IS + BS + CFS for three years. Cash on the balance sheet equals starting cash plus cumulative net change from the cash flow statement, every year, within \$1K rounding. If it doesn't tie, the tool says so explicitly and tells the founder which input to adjust.

2. The analytics layer - what a credit analyst actually wants

We added an analytics layer this month that goes beyond the three statements. Sixteen ratios across four categories - liquidity, leverage, profitability, efficiency - color-coded

green/yellow/red against typical benchmarks for a private \$5M-\$250M-revenue business. Current ratio. Quick ratio. Debt/EBITDA. Interest coverage. DSCR. Gross margin. EBITDA margin. ROIC. ROE. Asset turnover. DSO. DIO. DPO. Cash conversion cycle.

The same view the bank's credit committee gets when they're spreading your financials. The same view the PE firm's deal team builds when they're modeling acquisition leverage. The same view the bond underwriter constructs when sizing a covenant. We just put it on the screen for free, calculated from the model the founder already built.

3. Covenant compliance - pass or fail by year

Below the ratio dashboard, three optional inputs: minimum interest coverage, maximum debt-to-EBITDA, minimum DSCR. Enter your lender's covenant thresholds and the tool tests compliance year by year against your forecast. Pass = green. Fail = red. The board conversation about whether the term loan B covenants survive the next two years takes 30 seconds, not 30 days.

Optional fourth output: a common-size income statement showing every line as a percentage of revenue, plus a year-over-year growth table, plus a UFCF walk for DCF tie-in. The model becomes a complete credit-analyst workbench.

4. Why this matters before fundraise, M&A, or banking review

Three concrete audiences who need this and don't have it. **(1) The founder going into a Series B raise** - investors will ask for a three-statement model in diligence and the founder who hands them a tied-out model with a ratio dashboard moves to term sheet faster, full stop. **(2) The owner exploring a sale** - the buyer's QofE provider will reconstruct exactly this view; the seller who has already done it controls the narrative. **(3) The CFO going into the annual bank review** - the lender's credit committee will run the ratios; the CFO who shows up with the dashboard pre-built is the one who walks out with the new line of credit, not the one who walks out with a request for more documentation.

*Income statement. Balance sheet. Cash flow. Tied to the penny.
Sixteen ratios green/yellow/red. Covenant compliance pass/fail.
The artifact that separates a real CFO desk from a bookkeeper.*

Paired tool

Three-Statement Quick-Builder + Ratio Dashboard. Run your numbers through it in 60 seconds. Get back a tied-out 3-year forecast plus a 16-ratio credit-analyst dashboard with

covenant compliance testing. tools.baratelliinstitute.com/three-statement-builder.html

Three_Statement_Forecast_Template.xlsx. The same model in Excel format. Pre-formulated. Drop in your Y0 inputs and the three statements + ratios populate. For the analyst who wants to extend it. The web tool is for the analyst who wants to ship it Friday afternoon.

What to read next

WACC Calculator - after the three-statement model, the WACC drops in here.

DCF Sanity Check - and then the Y3 EBITDA flows into the DCF for valuation.

CFO & Controller's Reference Guide - Chapter 7 walks the modeling discipline at PE depth.

If this Field Note was useful: the Three-Statement Quick-Builder is free at tools.baratelliinstitute.com. Run your model through it before the next board meeting.

Until next time -

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