

*Finance and Key Performances Reporting
for Leaders Not in the Finance
Department*

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B2B CFO Pillars of Service

TRANSITION SERVICES

- Sell Your Company
- Transfer Your Company
- Acquire a Company

ADVANCED SERVICES

- Banking & Lending
- Strategic Planning
- Succession Planning
- Implementation

BASIC SERVICES

- Cash Flow Improvement
- Financial Statement Improvement
- Improvement

Definitions

- Finance
 - the management of large amounts of money (resources)
- Accounting “The Language of Business”
 - systematic and comprehensive recording of financial transactions pertaining to a business

More Definitions

Generally Accepted Accounting Principles (GAAP)

common set of accounting principles, standards and procedures that companies must follow when they compile their financial statements

Financial Statements

Financial Statements include:

- Balance Sheet (point in time)
- Income Statement (period of time)
- Statement of Cash Flows (change in cash between two points of time)
- Financial Statement Footnotes

Example Corporation
Statement of Cash Flows
For the Year Ended December 31, 2017

Cash Flow from Operating Activities

Net income	\$23,000
Add: depreciation expense	4,000
Increase in accounts receivable	(6,000)
Decrease in inventory	9,000
Decrease in accounts payable	<u>(5,000)</u>
Cash provided (used) in operating activities	<u>25,000</u>

Cash Flow from Investing Activities

Capital expenditures	(28,000)
Proceeds from sale of property	<u>7,000</u>
Cash provided (used) by investing activities	<u>(21,000)</u>

Cash Flow from Financing Activities

Borrowings of long-term debt	10,000
Cash dividends	(5,000)
Purchase of treasury stock	<u>(8,000)</u>
Cash provided (used) by financing activities	<u>(3,000)</u>

Net increase in cash	1,000
Cash at the beginning of the year	1,200
Cash at the end of the year	<u>\$ 2,200</u>

Users

Users of Financial Statements:

- Finance Departments
- Tax Preparers
- Bankers
- Owners / Shareholders

How Do They Help My Team?

How do Financial Statements support my management of resources:

- Can I hire more people?
- Should I bring on this new customer(s)?
- When to expand our manufacturing floor?
- How much should we spend on this project?
- Can we invest in new equipment?
- How does this information help me in the future?

Right!

- History
 - Financial Statements
- Future (Forecast)
 - This Week / Next Week
 - Next Month
 - Next Quarter
 - This Year

Measure to Move

- **key performance indicator (KPI) is a type of performance measurement**
- choosing the right KPIs relies upon a good understanding of what is important to the organization
- **department specific**
- aligned with periodic achievement of some levels of operational goal or making progress with strategic goals

- Financial Statements are the result of the KPIs for a period of time
- KPIs are the foundation of good forecasting/business planning
- KPIs should be shared within an organization; full financial statements are generally not relevant



Sales		\$ 5,610,000	
Direct COGS:			
Materials		\$ 2,019,600	36%
Reg Payroll		\$ 1,683,000	30%
OT Payroll		\$ 280,500	5%
Payroll Related		\$ 392,700	
Indirect COGS:			
Insurance		\$ 50,000	
Indirect		\$ 168,300	
Occupancy		\$ 125,000	
GM \$		\$ 890,900	16%
Support Services		\$ 448,800	8%
Operating Income		\$ 442,100	8%

<u>Customers</u>	<u>#</u>	<u>Avg Inv</u>	<u># Inv</u>	<u>Annual \$</u>	
A	10	\$ 10,000	120	\$ 1,200,000	
B	35	\$ 5,500	420	\$ 2,310,000	
C	50	\$ 3,500	600	\$ 2,100,000	
		\$ 4,921	1,140	\$ 5,610,000	
<u>Customers</u>	<u>#</u>	<u>Avg Inv</u>	<u># Inv</u>	<u>Annual \$</u>	<u>% Change</u>
A	11	\$ 10,300	132	\$ 1,359,600	13%
B	38	\$ 5,665	456	\$ 2,583,240	12%
C	53	\$ 3,605	636	\$ 2,292,780	9%
		\$ 5,094	1,224	\$ 6,235,620	11%



Dept	Hours Pd	FTEs	"PTO" Hrs	Avg Wage	\$	Available	Hours		% Available Hours		
							Invoice	Non-Invoice	Invoice	Non-Invoice	
1	28,000	13.4	1,721	\$ 15.00	\$ 420,000	26,279	22,337	3,942	85%	15%	
2	26,500	12.7	1,629	\$ 17.50	\$ 463,750	24,871	21,140	3,731	85%	15%	
3	25,000	12.0	1,537	\$ 19.00	\$ 475,000	23,463	19,944	3,519	85%	15%	
4	14,000	6.7	861	23.16	\$ 324,250	13,139	11,168	1,971	85%	15%	
	93,500		5,748	18.00	\$ 1,683,000	87,752	74,589	13,163			
Revenue / Available Hour					\$ 5,610,000	\$ 63.93					

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Questions

Thank You



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