

U.S. NATIONAL DEBT AS OF:

September 2022

\$30,889,864,096,241

September 2021

\$28,081,128,042,931

INSIDE THIS ISSUE:

President's Message:
Preparing for the "R"
Word

Brian's Corner: Is it
Time to Move on from
QuickBooks?

Exciting Events & Pho-
tos from Around Town!

Our CFO'S:

Todd Rammler

Brian Bach

Daniel Beardslee

Tom Carbone

Paul Carnarvon

Julie Derris

Rick DiBartolomeo

Martin Hilker

Lauren Pecoraro

Sanford Wexler

Dennis Weist

Visit Our Website!

www.michigancfo.com



President's Message: *Preparing for the "R" Word*

Two-Thirds of Americans are worried about a looming recession, according to a study survey conducted by Allianz Life Insurance Company of North America in June of 2022. That number has likely increased in recent months. And technically, we're already in a recession, despite what the White House says.

At the moment, most businesses aren't feeling recession level pain – things are still mostly good. Yes, there's inflation, yes, there are ridiculous supply-chain issues. . . and finding capable workers is harder than fixing a circular reference in an Excel spreadsheet. But it doesn't **feel** like a recession yet. So what steps can be taken to minimize the pain if things continue to deteriorate?

Here's a few **recession-prep ideas** to better weather the potential storm:

- Reviewing and understanding your financial statements each month is critical. If you don't understand your financials, now's the time to address this. Sit down with your leadership team/finance people and spend an hour (minimum) reviewing the financials each month to understand what's really happening.
- While financial statements are definitely helpful, they are unfortunately lagging indicators. So extend your financials forward into the future by using a **Rolling Forecast**. A rolling P&L is the bare minimum necessity; adding Balance Sheet and Cash Forecast (including borrowing capacity) are extremely helpful and take it to the next level.
- Develop and monitor financial and non-financial **Early Warning Indicators** – a subset of KPI's – to provide a more timely pulse of the organization and a better opportunity to react quickly. Ideally, these are reviewed more frequently than the financials (e.g., weekly). Examples might include: backlog value, relevant sales pipeline metrics (new business wins, new leads, etc), labor utilization metrics, cash on hand. Speaking of cash. . .
- Ample cash reserves are super important. In a perfect world, you have six months of operating expenses socked away in cash. While you may not have this currently, building reserves now (and paying down revolving debt) can provide the cushion you might need and will help you sleep better at night during a downturn (anyone remember 2007/2008?)
- If you're in good financial shape, you may find some growth/investment opportunities during a recession. This is a time to take calculated risks, not Home Run swings. Warren Buffet has said "**Be fearful when others are greedy, and be greedy when others are fearful**". A recession may provide a unique opportunity you can take advantage of – if you're financially stable.
- Don't count on anymore government help. PPP, ERC, EIDL et al – don't count on those programs going forward. Take the time now to do some planning and stress-test the business to see what impact a downturn might have – and develop contingency plans now. What happens with a 10% downturn? What about 20%. . . or 30%? Contingency planning is best done before you need it while you're thinking clearer.



Other resources:

We wrote a blog post on this subject, available here [Preparing Your Business for a Recession - Michigan CFO Associates](https://tinyurl.com/35ka2hvv) <https://tinyurl.com/35ka2hvv>

And a link to our contingency planning worksheet: [Free Reports, Tools, and Webinars - Michigan CFO Associates](https://tinyurl.com/2p85yvve) <https://tinyurl.com/2p85yvve>

Todd Rammler

New Adventures!



Josh, Todd & Rachel in Yosemite Valley



Cars & Cigars at Freedom Hill



Brian participating in his 5th Make-A-Wish
300 mile bicycle tour



Brian on the Labor Day Mackinaw
bridge walk

Showing Our Lions Pride!



Todd with former Lions Calvin
"Megatron" Johnson & Rob Sims



Joshua Rammler graduating from Grand
Valley State University in April!

Happy Retirement Martin Hilker!



As of June 30th, Martin decided to hang up his 10-Key calculator, toss out those No.2 pencils and call it a career!

We're grateful to have had Martin on the team for almost 7 years, and wish him well in his next challenge—lowering the golf handicap!

Congrats Martin—Enjoy your much deserved retirement!!!



Brian's Corner: Is it Time to Move on from QuickBooks?

Many of our clients' businesses are growing and changing daily. In the beginning they need an accounting system and QuickBooks provides a good, inexpensive start-up platform that covers the essentials for a small-business. But as they grow the limitations of QuickBooks becomes apparent and systems are pieced together with add-ons, excel spreadsheets and work arounds.

This can work for a while, but there comes a time when it becomes costly, complicated and error prone to maintain a hodgepodge of systems. The question becomes, when it is time to invest in a more robust platform that provides a holistic approach to managing the complexities of a growing business?

Unlike QuickBooks, other systems like Sage Intacct, Epicor, Acumatica, SAP Business One and NetSuite are all in one ERP's (Enterprise Resource Planning) systems. This allows business processes, departments, and divisions to work together since every user is within the same application using the same data repository, updated in real-time. When everyone is on the same page, errors are minimized, and there is visibility across the entire company.

In this article we looked at a few major areas where QuickBooks doesn't work well and where upgrading to a more robust ERP can better manage these challenges:

- Need to Share and Control Data Between Departments – unlike QuickBooks that has limited integration, an ERP allows a company to extract and share data between marketing, finance, sales and operations. Users can draw data from the same source, ensuring that everyone, from every department, has access to the same data. Some systems also control which departments or individuals have access to certain data by customizing permissions.
- Consolidating Financial Data Across Multiple Subsidiaries and/or Currencies – with QuickBooks, each company is a separate login so there is no easy way to move between companies making it cumbersome and time consuming. Because ERP's are all-in-one systems, sharing resources like charts of accounts, financial data, customers and vendors transactions is possible. Being able to consolidate financials with different currencies and handle inter-company eliminations without going in and out of different systems or using spreadsheets is a real timesaver.
- More than Accounting – QuickBooks is good for accounting, but a growing business often needs better control in the area of supply chain management. This includes managing order and production management, warehouse & fulfillment and work order assemblies. Also, there are gained efficiencies with the ability to track sales lead through a CRM, enter point of sale and eCommerce capabilities all on a single platform.
- Lack of Complete Visibility – QuickBooks give some visibility into customer AR, vendor AP and Financial reporting but it's all user initiated. Some ERP's have built-in reports and queries that are accurate to the minute. These reports use the same data source, allowing for multidimensional analysis with drilldowns to real-time source transactions. Some also come with preconfigured KPIs, workflows, reminders and customizable dashboards that show exactly how operations and accounting processes align and what needs to get done.
- Cost and Implementation: Sage Intacct, Epicor, Acumatica and NetSuite are powerful platforms with many integrated modules. It's a complete system for running a growing business and is easily expandable to add new business, products and services, however it comes at a cost. Most business can easily see the benefits of one system, the challenge is cost justifying the investment. At first look, some base systems are reasonable, however when adding modules, it can cost significantly more than QuickBooks. Some ERPs, like NetSuite, offer multiple licensing packages specific to different types of industries and company sizes. License fees can range from \$1,500 to \$5,000 per month based on modules needed and number of users. Also, conversion and implementation are very important and will most likely involve hiring an outside company to help guide the process, adding to the initial costs.



Is it the Right Move? One of my clients implemented NetSuite back in 2018. They were a growing warehouse distributor and had no way to manage their inventory and order fulfillment. Prior to the pandemic they added the e-Commerce module and had record sales over the past 3 years. They are working much smarter and have visibility that has allowed them to almost double their business. It comes down to looking at it as any investment to improve efficiency and profitability. It's not unlike buying a piece of equipment or investing in a building, the idea is to have resources to grow into the future. If a business has its sights on growing they will need a platform that will grow with them. It's a big decision for a business but very necessary if they want to go to the next level.

"An organization's ability to learn, and translate that learning into action rapidly, is the ultimate competitive advantage." ~ Jack Welch

43230 Garfield Road, Suite 130
Clinton Township, MI 48038
586.580.3285



Family Vaca!

For additional updates follow us on

 <https://www.linkedin.com/company/michigan-cfo-associates>

 <https://twitter.com/MichiganCFO>

www.michiganCFO.com

info@michigancfo.com

MICHIGAN CFO ASSOCIATES

The CFOs for Small-Business

Outsourced CFO & Controller Services Including:

-  *TRENDSPOTTER™ Financial Statement Analysis*
-  *Cost & Profit Margin Analysis*
-  *Bank Financing Packages & Negotiations*
-  *Financial Projections*
-  *Cash Planning & Management*

NEWSLETTER

