MICHIGAN CFO ASSOCIATES
The CFOs for Small-Business

NEWSLETTER

VOLUME 16 | ISSUE 02 | Spring 2022

U.S. NATIONAL DEBT AS OF:

May 2022

$30,457,439,150,315

May 2021

$28,199,128,042,931

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: *It's Been Awhile...*

Like the alternative rock song from the early 2000's. . . It *has* been a while. And as such, we've got some ***real* news** in this Newsletter. **So let's jump in!**

New Services:

Accounting/Bookkeeping support for clients – while we're definitely not entering the Bookkeeping business, we've added a great resource in **Julie Derris** who is handling our internal accounting, but also providing some cleanup and short-term support for clients who need help during a personnel transition or just to get through a particularly busy period.

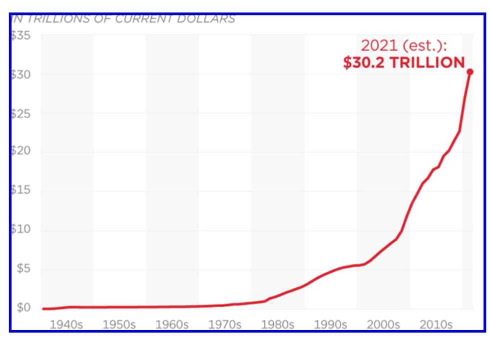
Virtual CFO Services – like many of you, the pandemic forced us to adapt to delivering our service to local clients remotely, and this opened the door to providing "Virtual" CFO services to businesses outside of our local area. While the local on-site work is still our bread & butter, we are now formally offering 3 methods of delivery: **On-site, Virtual (100% remote), and Hybrid** – a mix of on-site & remote. So if you have clients or acquaintances out of state that need CFO support we're ready to jump in!

For more information check out: https://www.michigancfo.com/virtual-cfo/

***New (er)* Website:** Along those lines, we've also done a significant refresh of the website. . . if you haven't been there in a while check it out www.michigancfo.com

***New(er)* faces –** we've got a few! **Julie Derris** (mentioned above); **Paul Carnarvon**, CFO and **Lauren Pecoraro,** CFO have all joined us in the last 12 months or so.

***New(est)* faces** – (and definitely cutest!) future CFO, **Elliot Parker Weist**, newest addition to the Weist household. See baby pictures on p.2!



Old news that keeps getting worse: The Debt Clock. Here we go. . . We've been tracking this for about 11 years and every few years I harp on it, so we're gonna do it again based on how much the debt has gone up in the past 2 years.

Back in 2011 the debt was around $14 Trillion. Today, we're at **$30.4 Trillion** – so it has more than doubled in 11 years. At that time the debt was $130K per taxpayer; today it's **$242K per taxpayer**.

For some perspective on **what $30T looks like**, see page 2.

That's it for now. If, like the song, it's been a while since we've connected, please feel free to send a note or give us a call and let's get together while the weather is cooperating!

Todd Rammler

NEW(ER) FACES!

We're a bit delinquent in this department, but here's the new(er) faces of Michigan CFO Associates—Welcome!

Julie Derris, Accounting Services

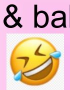
Paul Carnarvon, CFO

Lauren Pecoraro, CFO

View team bio's at: https://www.michigancfo.com/about-us/meet-our-team/

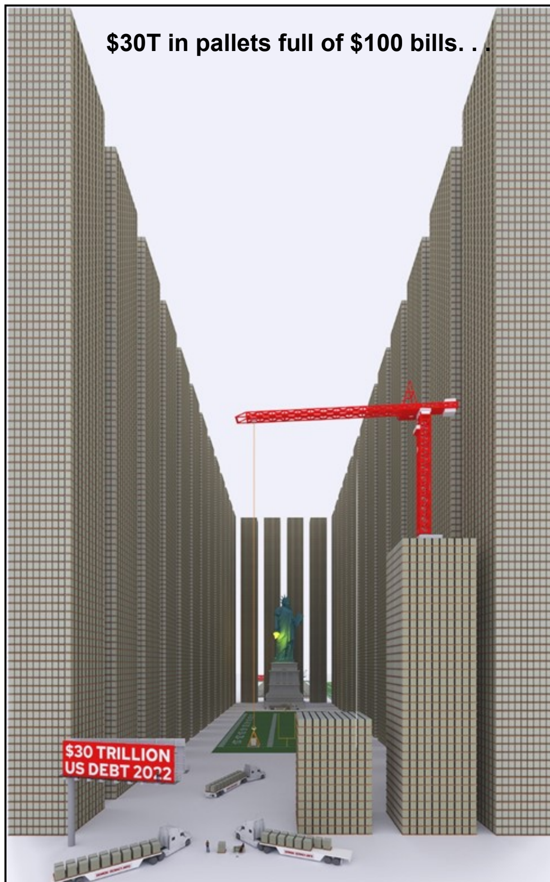
NEWEST FACE!

Congrats to Amy & Dennis Weist on the birth of **Elliot Parker Weist**! Born 4/19/22, 7 pounds 9 ounces and 19.25 inches long!

Mom & baby are doing great, Dad is turning Gray. 

Elliot Parker Weist

Amy, Elliot & Dennis



1 pallet = $100M; 1 Semi truck carries $2B

Brian's Corner: Increasing Revenue vs. Healthy Growth

Most business owners typically focus on their top-line revenues, understandably because it's the easiest to measure. To most, this is the stick by which success is measured. "We've grown 20% per year for the last 3 years" or "Our year-over-year growth rate is +15%." In business speak, it's an easy way to convey a company's performance. It's usually assumed if a business is growing, they are both successful and profitable. But you know what assuming will get you. . .

Chasing revenues for revenues sake without the perspective of measured impact on profitability and cash flow is a foolish endeavor. Focusing on growing revenues without regards to other factors is not seeing the big picture.

There is an important difference between Growth and Healthy Growth although many business owners don't understand the difference.

"Revenue is Vanity,
Profit is Sanity,
and Cash Flow is KING"
\- Unknown

The Unintended Consequences of Increased Revenues

In most businesses, to increase revenues there is usually correlated increases in other activities. More revenues means; more labor, more materials, increased shipping and in some instances, more equipment.

There are also corresponding carrying costs associated with these increased activities. Additional materials, labor and resources must be purchased ahead of delivering increased revenues. Higher revenues also increase the level of working capital needed to support higher inventory, as well as higher labor costs and higher account receivables. If not planned ahead of time, these additional carrying costs can gobble up any additional cash generated from increased revenues. Net income may increase however cashflow in the short-term may be negative.

So, What is Healthy Growth?

The process of "healthy growth" is planning ahead for the cash flow impact of increasing revenues. It's the process of factoring in the impact of additional carrying costs on cash flow so there are no surprises. The recommended approach to bridging this cash-flow timing gap is through a line of credit or advances on accounts receivables. This is where planning ahead and having a credit facility in place is the healthy way to grow. A business that is running tight on cash and has no access to additional working capital will find it very difficult to meet increased revenues.

Tips for Managing Healthy Growth

If you want to build a house, you start with a plan. The same goes if you want to increase revenues, start with a plan. What is the growth target and what are the current capabilities? What will be the total increases in costs for marketing, labor and materials for production and additional overhead needed to match increased demand? Also factor in additional dollars needed to support higher inventory and accounts receivable levels.

A comprehensive plan measures the entire cash flow impact and determines the amount of additional capital needed, ahead of time.

Summary

Healthy growth requires more planning than merely growing the top-line. That's why fast-growing business are at higher risk of insolvency. Although it seems counter intuitive, more revenue is not always better for business. Is your company planning to grow? Ask most business owners and the answer is usually "Yes, of course," however, a more important question would be "Is your company planning for *healthy* growth?"

If you're fishing for tuna in an 8-foot rowboat, I hope you don't catch a 400 pounder because you'll be sunk!

Brian, dropping knowledge on Fraud & Embezzlement!

Incase You Missed It:

Thanks to everyone who attended our recent lunch & learn on Fraud, Embezzlement and Cybersecurity!

We had a great turnout and were happy to partner with **Waterford Bank** and **N1 Discovery** to provide actionable steps for prevention and protection!

Scott Baily, N1 Discovery; Grant Smith, Waterford Bank; and Brian after an informative Q & A session!

For additional updates follow us on

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

https://twitter.com/MichiganCFO

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