MICHIGAN CFO ASSOCIATES
The CFOs for Small-Business

NEWSLETTER

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U.S. NATIONAL DEBT AS OF:

December 2025

$38,117,224,885,993

December 2024

$36,073,541,794,035

INSIDE THIS ISSUE:

Our CFO'S:

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The $100,000 Decision You're Not Making

A friend called me last month, frustrated. His business was growing, but he'd been wrestling with the same cash flow forecasting challenge for months. He knew the numbers weren't right, but couldn't figure out why. Finally, he, shared with me, that he brought in someone who'd built dozens of cash flow models. They solved the issue in two days.

Two days versus a few months. That's an enormous time savings. But more importantly, those months of uncertainty meant delayed decisions on hiring, equipment purchases, and a potential acquisition conversation that he wasn't confident enough to pursue.

The real question isn't whether he could have eventually figured it out himself. He probably would have. The question is: what did those months of delay actually cost?

The Hidden Math of DIY

If you're an Entrepreneur, you're a problem solver. You've built your business by figuring things out. That scrappiness is what got you from zero to $5M, $10M, $25M, or $50M in revenue. It's served you well.

But there's a point where that same trait starts working against you. Not because you can't learn – you absolutely can – but because of what else you're not doing while you're learning.

Let's say you spend 10 hours a week on financial tasks – building forecasts, trying to understand which metrics matter, reconciling accounts, preparing for that bank meeting. That's 500 hours a year. At a conservative $200/hour value for your time, that's $100,000.

But here's what makes it more expensive: those 10 hours aren't just costing you $2,000 in time. They're costing you whatever you could have accomplished instead. The client relationship you could have deepened. The new prospect you could've sold. The strategic hire you could have made. The operational issue you could have fixed. The time with your family you could have taken.

The Speed Premium: What the Data Shows

According to a recent study of middle-market companies (those with $10M-$1B in revenue), businesses that leverage fractional expertise make decisions 40% faster than those trying to build all capabilities in-house. More importantly:

Metric	Doing It Yourself	Using Fractional Experts
Time to decision on major initiatives	4-6 months	2-3 months
Costly mistakes requiring do-overs	38% of projects	12% of projects
Owner time spent on non-core activities	15-20 hrs/week	5-8 hrs/week
Revenue growth rate	8-12% annually	15-22% annually

Source: Private Company Benchmark Survey 2024 & Deloitte Middle Market Growth Study

Beyond the Finance Example

This isn't just about finance, though that's certainly one common area. The principle holds across every aspect of running a business:

- The manufacturer who spent months trying to optimize production scheduling, when a fractional operations expert could have identified the bottleneck and implemented a solution in weeks.
- The distributor who tried to negotiate a major customer contract alone, not realizing there were industry-standard terms he was leaving on the table. A fractional general counsel would have spotted it immediately.
- The service business owner who delayed building proper financial documentation, then scrambled when an acquisition opportunity appeared. By the time everything was ready, the buyer had moved on.

Continued, P.2 —>

What You're Actually Buying

When you bring in fractional expertise – a CFO, COO, HR director, CTO, or general counsel – you're not just buying hours. You're buying:

Pattern recognition. They've seen your problem dozens of times before. What might take you months to figure out, they can often diagnose in days.

Decision confidence. When you know what good looks like, you stop second-guessing every decision. That confidence accelerates everything.

Mistake avoidance. Not the mistakes you make, but the ones you don't make because someone steers you around them.

Your attention back. Time and mental energy to focus on what you do best – running and growing your business.

A Question Worth Asking

Think about your calendar from last quarter. How many hours did you spend working in areas where you lack deep expertise, rather than working on the business in areas where you excel?

For most business owners in the $5M-$50M range, it's somewhere between 10 and 20 hours a week. That's a quarter to half of your time spent on tasks that, while necessary, someone else could handle more efficiently and effectively.

Being decisive doesn't mean having all the answers. It means knowing when to find the answer elsewhere. It means recognizing that speed and expertise aren't expenses – they're investments. And it means understanding that every month of delay carries its own cost, paid in the form of missed opportunities, mistakes, and bandwidth you don't have.

Here's a practical exercise: Pick one area where you've been stuck or spinning your wheels. Financial forecasting, HR infrastructure, operational efficiency, technology decisions – whatever it is. Now ask yourself honestly: ***What is this continued uncertainty actually costing me?***

The best leaders I know aren't the ones who know everything. They're the ones who know what they don't know – and who move decisively to fill that gap.

That's not a weakness. That's wisdom.

Todd Rand

Off the Clock with our CFO's

Tom Carbone

I love music. I enjoy performing as a guitarist in an acoustic trio around town at select venues and festivals.

Lauren Pecoraro

I enjoy artistic hobbies. I've been practicing yoga for 20 years, I'm a theatre enthusiast and a culinary experimenter.

Dylan Straka

I love golfing. I'm a big Michigan Wolverines fan and deeply involved and on the board of the Flint Children's Museum.

"A budget is telling your money where to go instead of wondering where it went."

- John C. Maxwell

WELCOME, New Clients!

Triple, Inc.

Aerospace Precision Machined Parts

tripleinc.com

BioPro, Inc.

Orthopedic Implants and Surgical Devices

bioproimplants.com

Emergency Veterinary Hospital

Patient-Centered Care

emergencyvetannarbor.com

Sunland Aerospace Fasteners

Aerospace Manufacturing

sunlandaerospace.com

Selling your Business… how are the Financials?

There is a lot of buying and selling of businesses taking place in our current economy. Many small businesses, including our client base, are constantly getting calls from business brokers or private equity firms looking to purchase their company's.

This type of activity can be attractive to owners who are considering exiting their business or are wondering what their business is worth. However, owners who entertain these inquires quickly learn there is a lot more involved in this process than they expected. Usually, one of the first, and most important, steps in the process is the financial evaluation of the business.

Preparing a business for sale requires more than making it look good to buyers, it's ensuring financials are clean, defensible, and attractive. To help prepare, we've put together a list of key financial aspects a business should consider when getting ready to sell:

1. Financial Statements: Accuracy, Consistency, Transparency

- Clean up the books — ensure financial statements (income statement, balance sheet, cash flow) are up to date, accurate, and prepared according to standard accounting principles.
- Do the last 3 years of financial statements tell a positive story on sales growth, profitability and cash flow generated by the business.
- Consider having a CPA prepare audited or reviewed financial statements that will increase buyer confidence. These reports can be costly but are a valued 3rd party opinion of the business.

2. Revenue Trends and Customer Concentration

- Show stable and/or constant growing revenues. Buyers pay more for consistency.
- Look at customer concentration risks (e.g., one client represents >20% of revenue).
- If applicable, document contracts, recurring revenue, and subscription agreements to demonstrate predictable income.

3. Normalized Earnings (Adjustments)

- Buyers want to understand true profitability and cash flow not distorted by one-time or discretionary items.
- Obtain outside help in recasting and/or normalizing EBITDA (Earnings Before Interest, Taxes, Depreciation, & Amortization). These adjust for:
  - ◊ Owner's compensation above market rate
  - ◊ One-time or non-recurring expenses (lawsuits, renovations, COVID relief, etc.)
  - ◊ Personal or non-business expenses run through the company (vehicles, travel, etc.)
  - ◊ Family members on payroll who won't continue on-operating income or expenses
- A clear normalization schedule helps justify asking price.

4. Key Financial Ratios and Metrics

- Buyers often evaluate performance based on various financial ratios.
  - ◊ Gross and net profit margins (profitability)
  - ◊ EBITDA performance (cash flow)
  - ◊ Current and quick ratios (liquidity)
  - ◊ Debt-to-equity ratio (leverage)
  - ◊ Inventory turnover and AR/AP aging (cash flow management)

5. Debt and Liabilities

- Pay down or restructure debt where possible.
- Make a list of all liabilities — including leases, pending lawsuits, and tax obligations.
- Debt and liabilities will play a role in a valuation and how a deal is structured (e.g., asset vs. stock sale).

6. Forecasts and Projections

- Prepare realistic 3 – 5 year financial projections based on prior history.
- Outline assumptions for growth, costs, and market trends.
- Show the business has ongoing growth potential that will payout future earnings.

7. Valuation Preparation & Deal Structure

- Work with an accountant or CPA to help prepare the data needed.
- Hire a professional business valuation or broker to provide an opinion of value.
- Do the homework and understand the various valuation methods (e.g., multiples of EBITDA, discounted cash flow).
- Have information that benchmarks the business against industry norms.
- Often buyers expect a level of working capital to be included in the deal, so be ready to negotiate on earn-outs, seller financing, or equity rollover options. These will be important factors depending on buyer type (strategic vs. financial).

Yes, there is a fair amount of time, effort and money needed to financially prepare when selling a business. However, the time spent preparing will speed the process and pay multiple dividends when it comes time to put a business on the market for sale. It also demonstrates the seller understands the importance of having clean financials in running the business to a perspective buyer.

Are you thinking about selling your business? We can help providing assistance to ensure you're ready and receive the maximum value.

Happy Anniversary!

10 Years	**Global Telecom Solutions** gtsdirect.com
9 Years	**Patti Engineering, Inc.** pattiengineering.com
9 Years	**Proto Manufacturing, Inc.** protoxrd.com
9 Years	**Wilshire Benefits Group, Inc.** wilshirebenefits.com
7 Years	**Test Products** tpiusa.com
6 Years	**H.M. White** hmwhite.com
5 Years	**OMPT Specialists** omptspecialists.com
3 Years	**One Step GPS, LLC** onestepgps.com
1 Year	**Endoplus USA** endoplususa.com

Thank you for trusting us with your business.

FUNFACT

Fractional CFO Roles have increased by 310% since 2020!

For additional updates follow us on:

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

www.michiganCFO.com | info@michigancfo.com

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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*