Communicating Financial Results to Normal People

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Geni Whitehouse, CPA.CITP, CSPM

- Part-time working with a CPA firm in the Napa Valley, consulting with wineries
- Co-Founder Remote bookkeeping for wineries
- Keynote presenter and author
- Originally from Greenville, SC

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Why communication matters

- There is no value in information that we don’t understand

- People can not comprehend information when they are coming from a place of fear or doubt

It is our job
to communicate
the value
of the information we provide.

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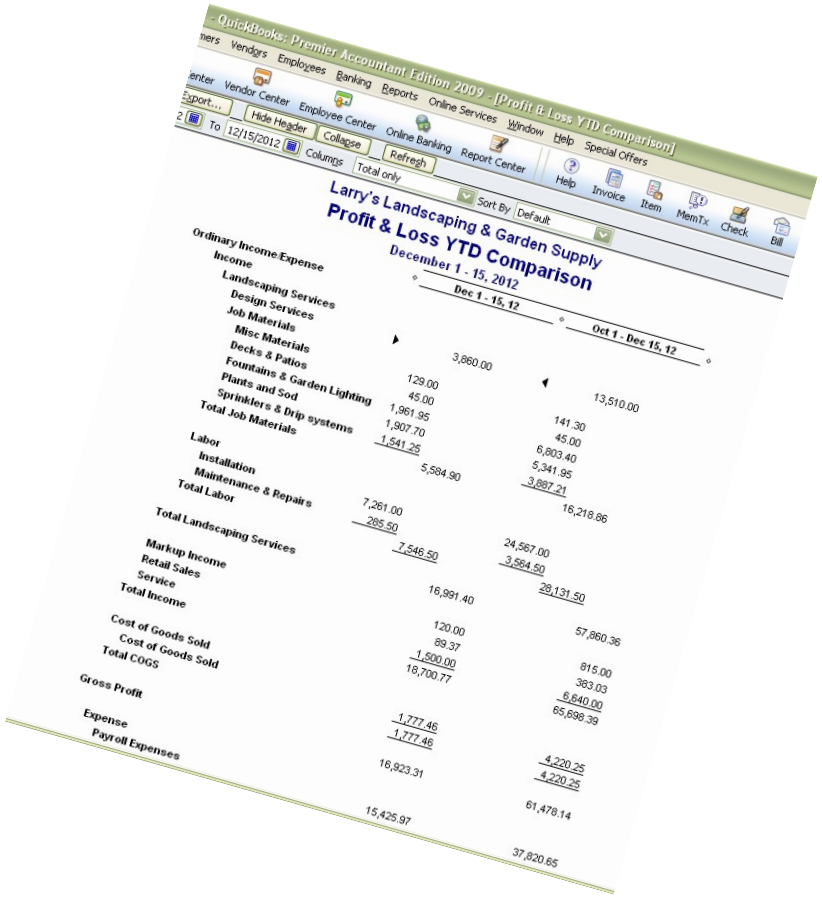
What we say



"We need to :

- Reduce Costs
- Increase Revenues"

"***We're in a cash bind"***

"Sales trends are not good"

"ACCOUNTS RECEIVABLE AGING IS OUT OF CONTROL"

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What they hear

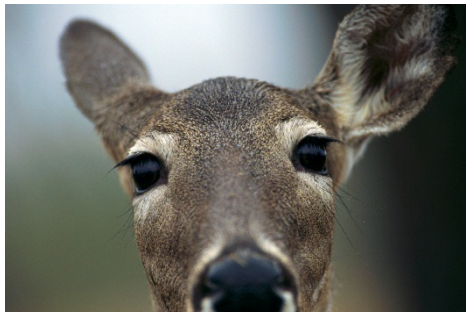
Blah Blah Blah

Blah Blah Blah

No money for bonuses

Blah Blah Blah

Blah Blah Blah



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How to fix

- Understand styles
- Different Tools
- Educate them on the Information we Provide

Science of Communication

DISC

"Universal observable language of behavior"

The Universal Language DISC, Target Training International, LTD, 2004

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People communicate differently.

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DISC language DOES measure:

BEHAVIOR and EMOTIONS

DISC Language is:

Observable

Universal

Neutral

Silent

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DISC language does NOT measure:

Intelligence

Values

Skills or experience

Education or Training

Judgment – there is no right or wrong

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Understand Behavioral Styles

Dominance – relating to control, power and assertiveness

Influence – relating to social situations and communication

Steadiness – relating to patience, persistence, and thoughtfulness

Compliance – relating to structure and organization

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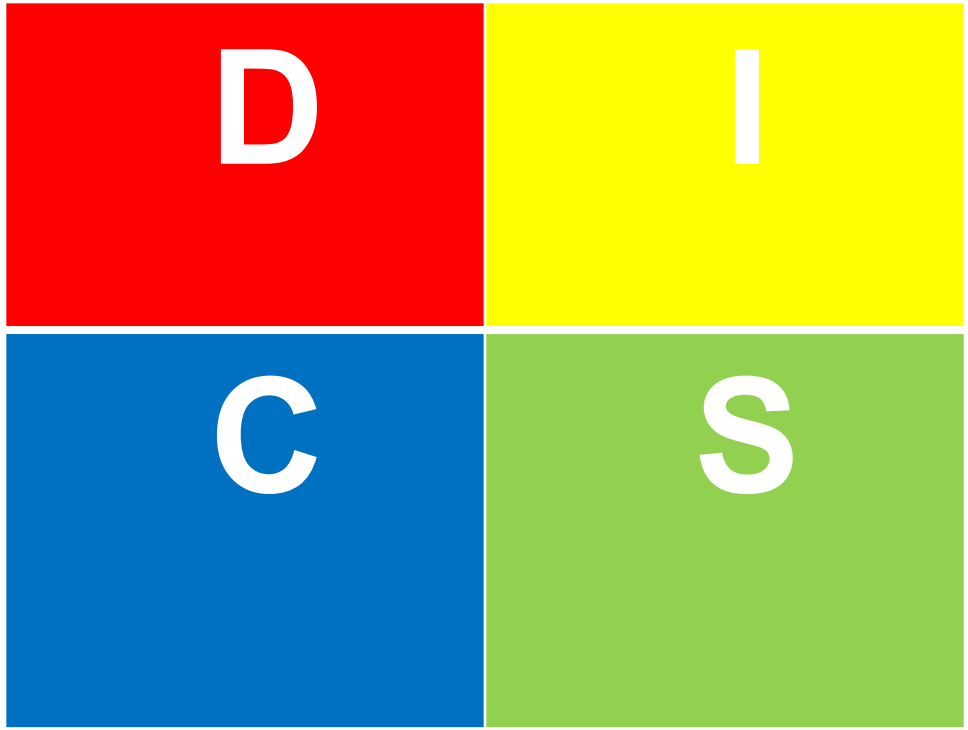
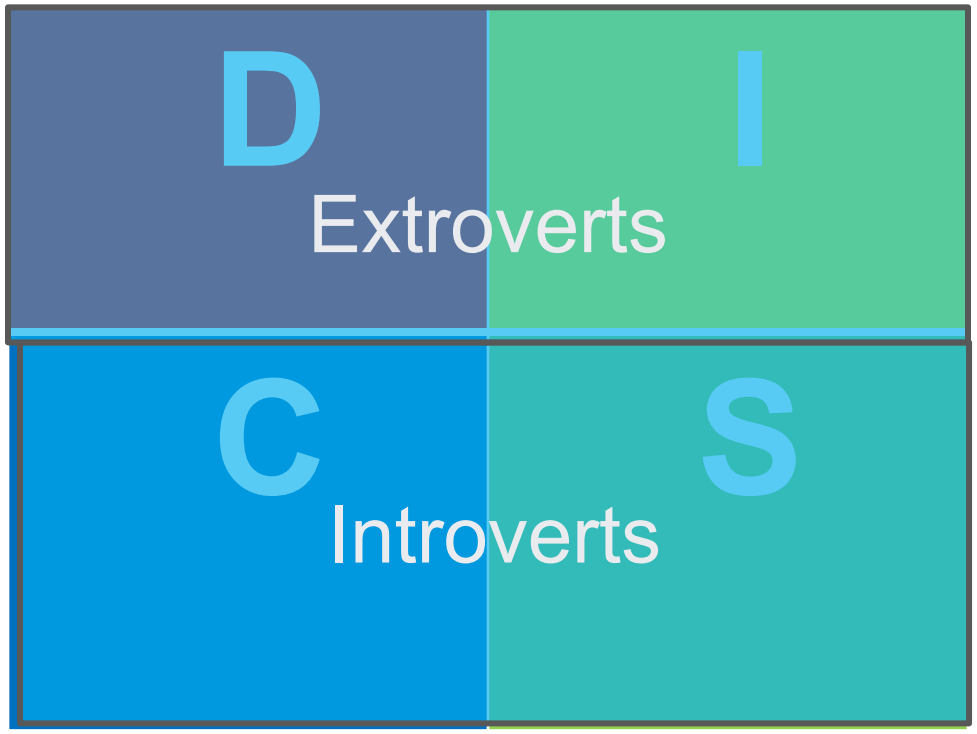
Recognizing styles



Recognizing styles



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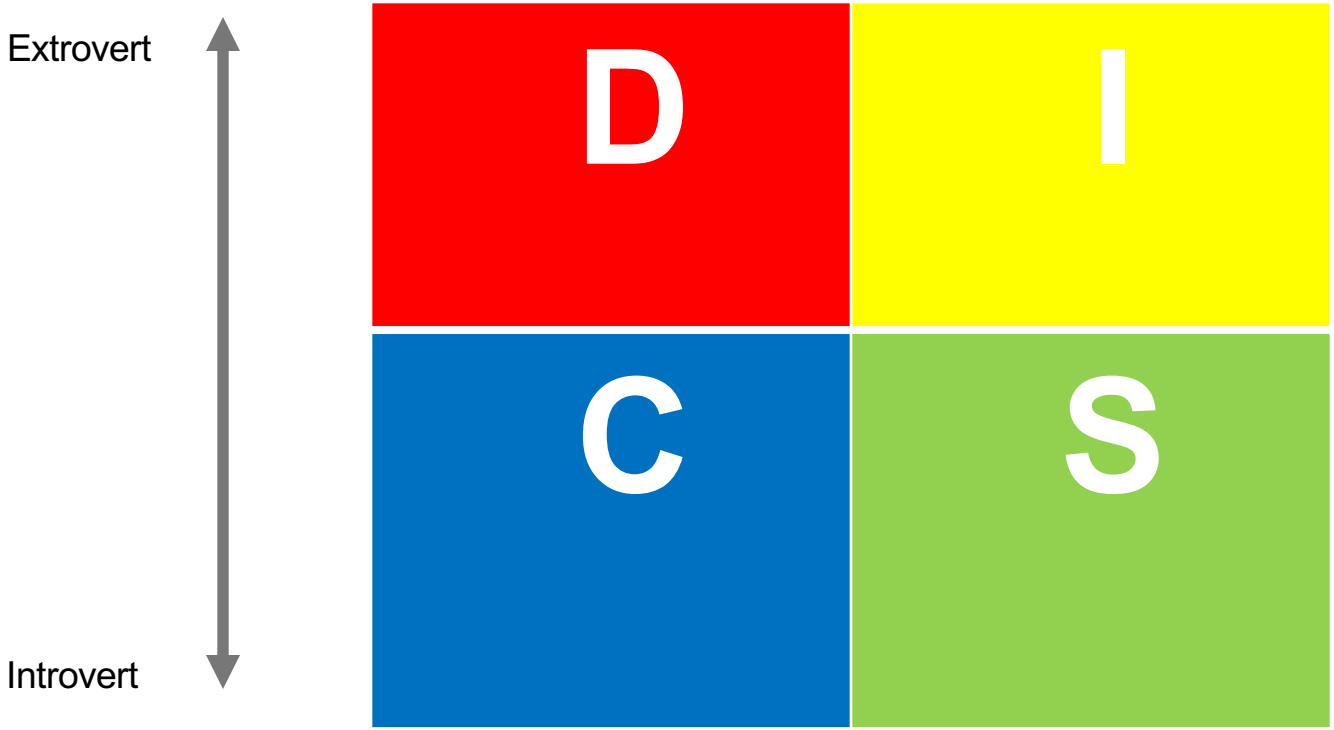

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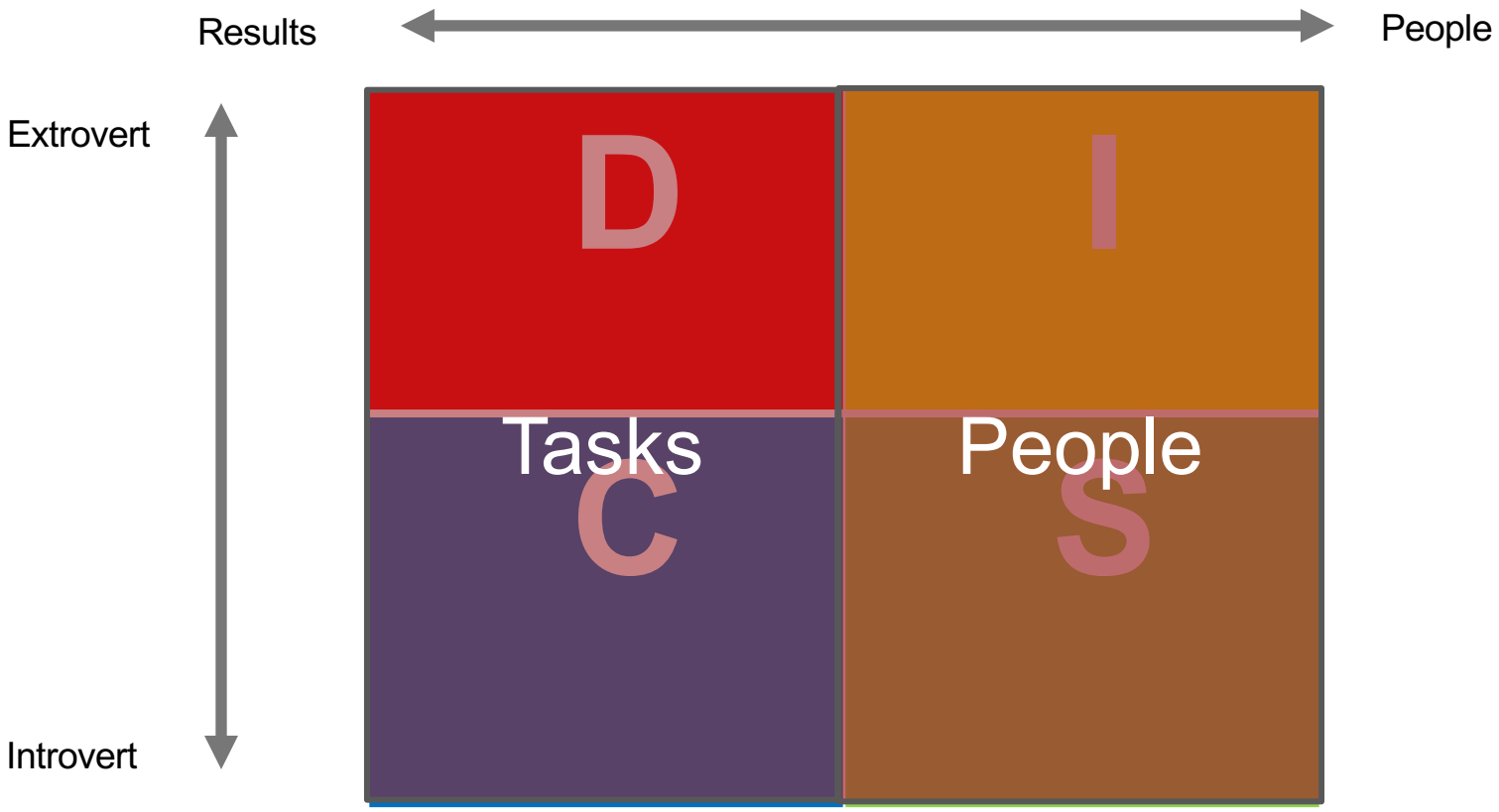

High “D”

Typical Presentation required:

- Quickly get to the bottom line
- You must appear credible
- Be concise and business like
- Difficult to switch, but once switched is loyal
- Solve problems fast and move on

Results

High "I"

Typical Presentation required:

- Spare the details, give plenty of follow-up
- Present new, innovative ideas
- Allow time for socializing
- Have fun, tell stories
- Eliminate detail, just hit the high points.

Relationship

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High “S”

Typical Presentation required:

- Need lots of proof and statistics
- Take it slow and easy
- Earn their trust and friendship
- Use Facts & Figures, repeat visits, answer all their questions.

Security

High “C”

Typical Presentation required:

- Need lots of “Proof”, background & proven results
- Needs time to absorb and digest facts
- Use plenty of testimonials (from “C” style)
- Don’t rush, be on point, and answer all their questions.

Accuracy

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Source = TTI International

When communicating with a person who is dependent, neat, conservative, perfectionist, careful and compliant:

- Prepare your "case" in advance.
- Stick to business.
- Be accurate and realistic.

Factors that will create tension or dissatisfaction:

- Being giddy, casual, informal, loud.
- Pushing too hard or being unrealistic with deadlines.
- Being disorganized or messy.

C

When communicating with a person who is ambitious, forceful, decisive, strong-willed, independent and goal-oriented:

- Be clear, specific, brief and to the point.
- Stick to business.
- Be prepared with support material in a well-organized "package."

Factors that will create tension or dissatisfaction:

- Talking about things that are not relevant to the issue.
- Leaving loopholes or cloudy issues.
- Appearing disorganized.

D

When communicating with a person who is patient, predictable, reliable, steady, relaxed and modest:

- Begin with a personal comment--break the ice.
- Present your case softly, nonthreateningly.
- Ask "how?" questions to draw their opinions.

Factors that will create tension or dissatisfaction:

- Rushing headlong into business.
- Being domineering or demanding.
- Forcing them to respond quickly to your objectives.

S

When communicating with a person who is magnetic, enthusiastic, friendly, demonstrative and political:

- Provide a warm and friendly environment.
- Don't deal with a lot of details (put them in writing).
- Ask "feeling" questions to draw their opinions or comments.

Factors that will create tension or dissatisfaction:

- Being curt, cold or tight-lipped.
- Controlling the conversation.
- Driving on facts and figures, alternatives, abstractions.

I

Tools for Different Styles
Tools for Different Roles

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Our role

Hold people accountable

- Clear goal
- Understandable

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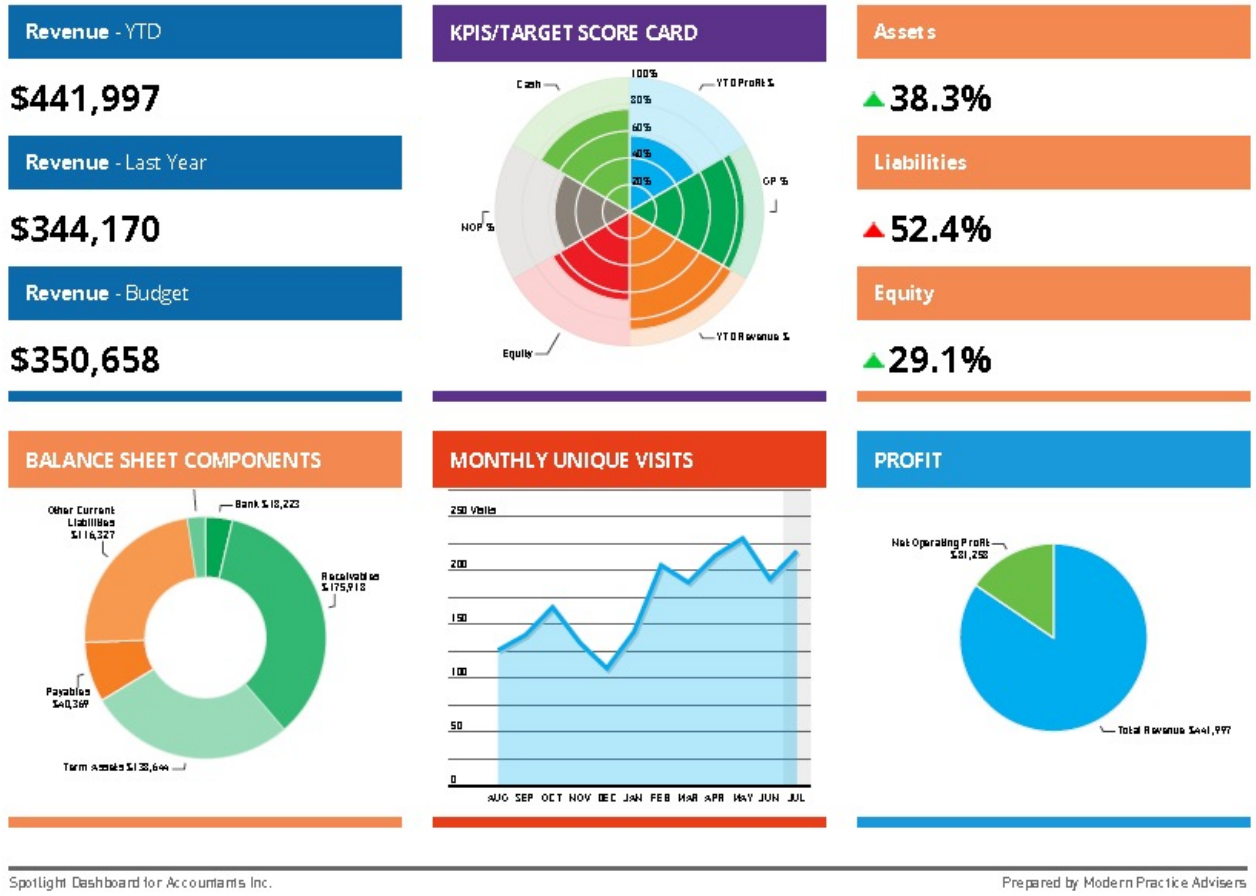
TRUETT-HURST, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except share data)
(unaudited)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2018	2017	2018	2017
Sales	$ 1,855	$ 1,803	$ 3,453	$ 3,214
Less excise tax	(4)	-	(5)	(2)
Net sales	1,851	1,803	3,448	3,212
Cost of sales	856	676	1,357	1,351
Gross profit	995	1,127	2,091	1,861
Operating expenses:				
Sales and marketing	792	1,029	1,285	1,707
General and administrative	1,855	303	3,159	1,093
Gain (loss) on disposal of assets	-	4	-	(18)
Impairment of other assets	-	-	46	-
Total operating expenses	2,647	1,336	4,490	2,782
Net loss from operations	(1,652)	(209)	(2,399)	(921)
Other income (expense):				
Interest income (expense), net	7	(111)	(61)	(221)
Gain (loss) on fair value of interest rate swap	-	25	(14)	27
Gain on insurance settlement, net	-	-	469	-
Other income, net	6	(3)	5	(11)
Total other income (expense), net	13	(89)	399	(205)
Loss before income tax expense	(1,639)	(298)	(2,000)	(1,126)
Income tax expense	-	(1)	-	-
Loss from continuing operations	(1,639)	(299)	(2,000)	(1,126)
(Loss) income from discontinued operations, net of tax	-	(384)	1,990	151
Net loss attributable to Truett-Hurst, Inc. and H.D.D. LLC	(1,639)	(683)	(10)	(975)
Net loss attributable to noncontrolling interest: H.D.D. LLC	(657)	(274)	(4)	(391)
Net loss attributable to Truett-Hurst, Inc.	$ (982)	$ (409)	$ (6)	$ (584)
Net (loss) income per share, basic and diluted:				
Continuing operations	$ (0.36)	$ (0.07)	$ (0.44)	$ (0.25)
Discontinued operations	-	(0.09)	0.44	0.03
Attributable to noncontrolling interest	(0.14)	(0.06)	(0.00)	(0.09)
Attributable to Truett-Hurst, Inc.	$ (0.22)	$ (0.10)	$ (0.00)	$ (0.13)
Weighted average shares used in computing net loss per share:				
Basic weighted average shares	4,579,861	4,460,417	4,567,914	4,449,208
Diluted weighted average shares	4,579,861	4,460,417	4,567,914	4,449,208

Spotlight Reporting

Financial data + Google Analytics.

Analyze marketing activities.



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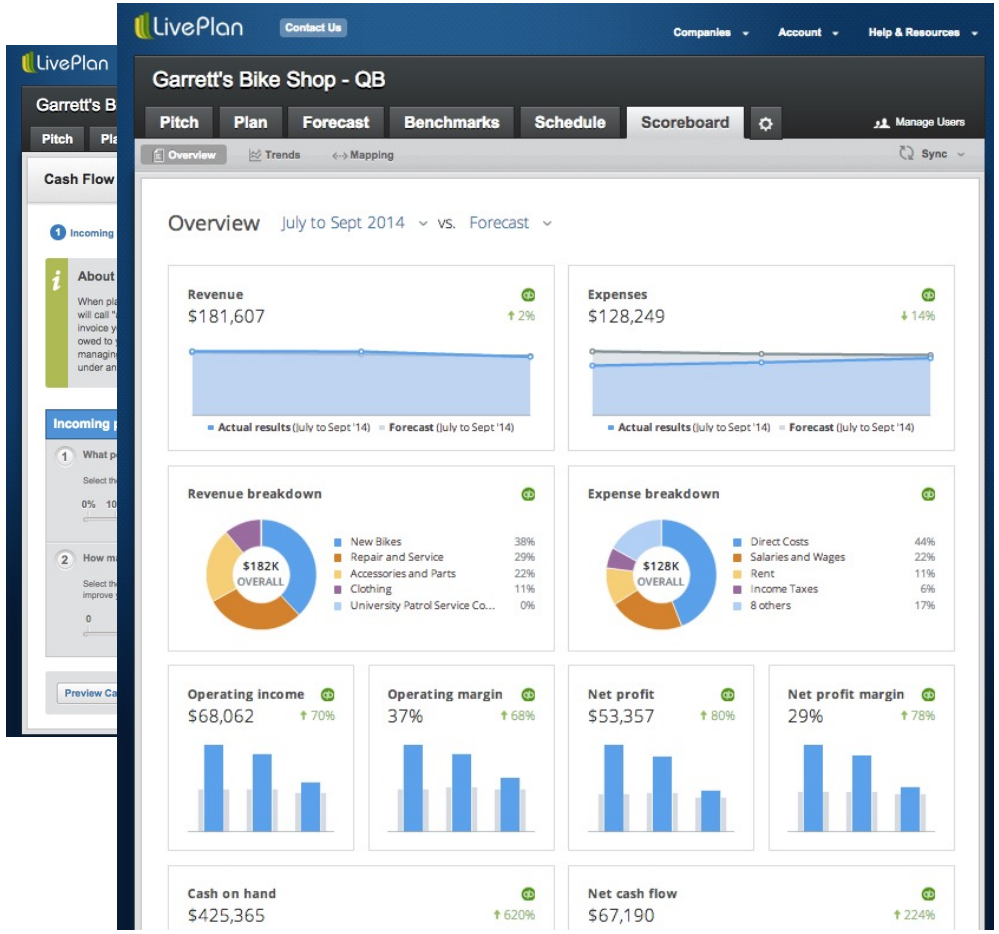
Live plan

Financial tracking dashboard lets you compare your current financials against your historical financials and your budget & forecast from LivePlan.



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D I S C

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Ratios

	2009	2010	2011	2012	2013
Current Ratio	0.33	0.29	1.01	3.49	4.04
Quick Ratio	-1.74	-2.24	0.83	0.47	2.07
Debt / Equity	-1.80	0.41	0.31	0.20	0.19
Gross Margin	51%	54.22%	53.97%	54.84%	41.77%
Net Margin	43.02%	1.16%	28.86%	16.62%	11.97%
ROA	69.76%	0.39%	12.74%	6.71%	9.41%
ROI	-55.97%	0.54%	16.74%	8.05%	11.23%

--- More Ratios ---

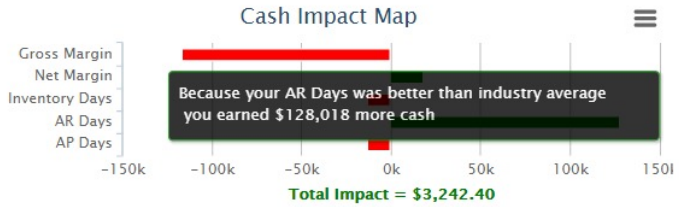
Asset Ratios

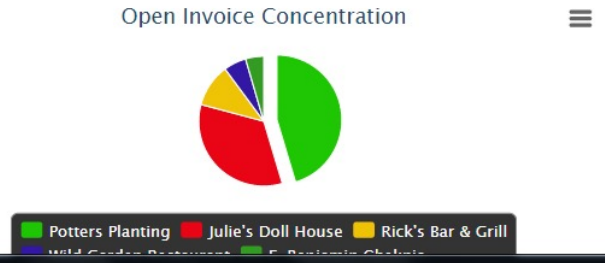
	2009	2010	2011	2012	2013
Income / Assets	1.62	0.33	0.44	0.40	0.79
Inventory Turnover	0.2x	0.5x	0.8x	0.9x	4.8x
Inv. Days	2044.77	805.09	438.31	415.00	75.70
A/R Turnover	30.8x	47.9x	10.1x	12.0x	24.3x
A/R Days	11.84	7.63	36.09	30.37	15.03
A/P Turnover	225.0x	5.6x	7.9x	9.3x	14.5x
A/P Days	1.62	65.67	46.30	39.28	25.19

CUSTOMIZE FLAGS

GET SHAREABLE LINK

CHAT- ASK A QUESTION





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Put an End to Your Cash Flow Pro | PayPie | Peerview Data | Fathom Analysis Tools - Le Cou R

app.fathomhq.com/company/3E38fga/analysis/goalseek/year?period=1546214400

Apps | Sharefile login | Settings | Evernote Web | ria - Google Search | Oztera Webpop | Inbox | LinkedIn | TweetDeck web | UberConference | Memorable Present... | Other bookmarks

LE COU ROUGE WINERY (FOR CLASS) | ANALYSIS | REPORTS | SETTINGS

Goalseek

For the **Year** of **2018**

FATHOMHQ.com

Changes required to increase **Operating Cash Flow** from -$605,981 to **$120,000**

D I S C

-$605,981

START — GOAL

-$605,981 — $120,000

HIGH SENSITIVITY

	To achieve goal	Change
Price	33.45%	0%
Volume	-13.58%	0%
Variable COS	-9.66%	0%

MEDIUM SENSITIVITY

Fixed Expenses	-72.77%	0%

DAY DRIVERS

Receivable Days	-87.8 days	0 days
Payable Days	172.7 days	0 days
Inventory Days	-172.7 days	0 days

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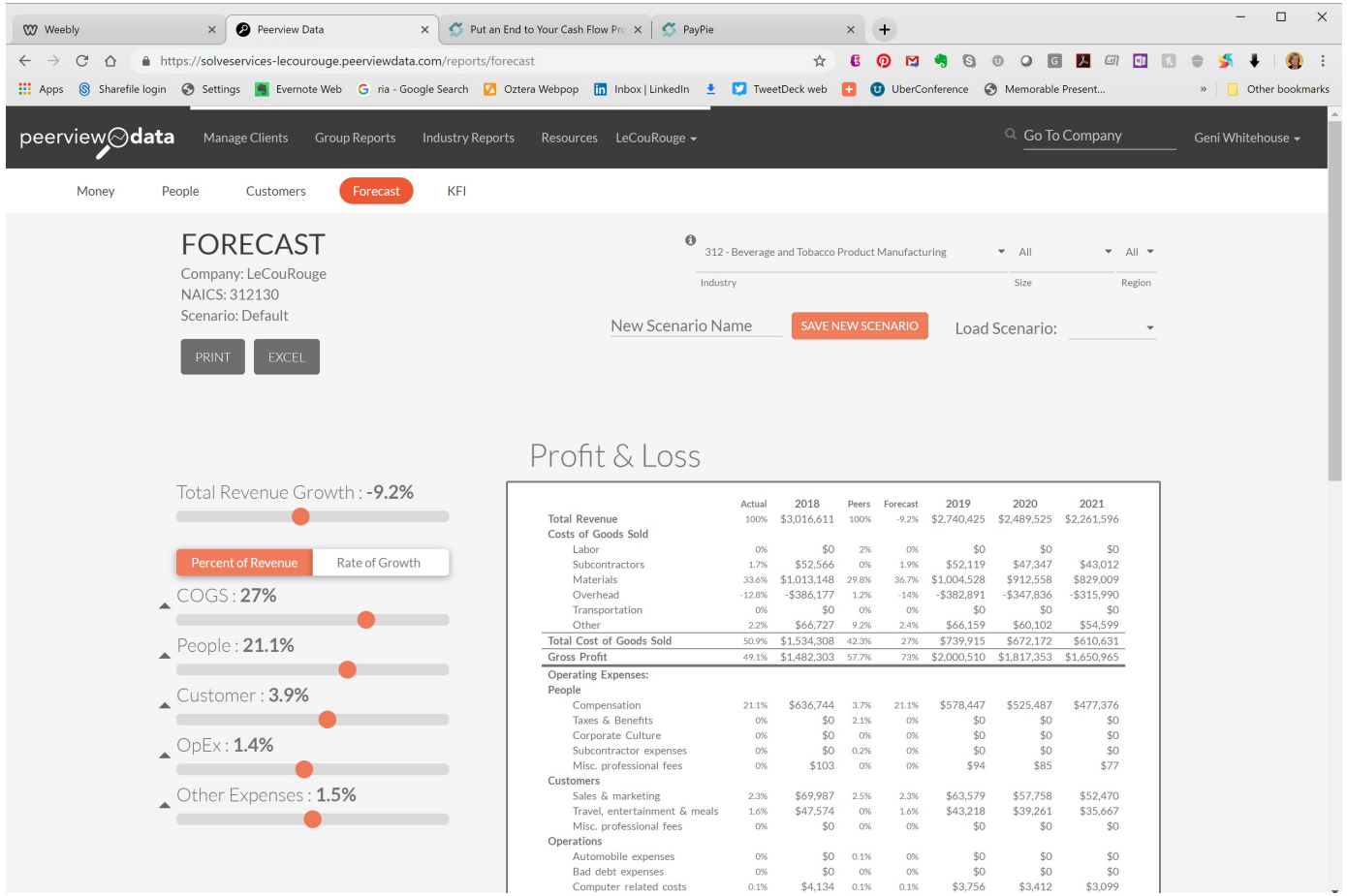
Peerview



	Actual	2018	Peers	Forecast	2019	2020	2021
Total Revenue	100%	$3,016,611	100%	-9.2%	$2,740,425	$2,489,525	$2,261,596
Costs of Goods Sold							
Labor	0%	$0	2%	0%	$0	$0	$0
Subcontractors	1.7%	$52,566	0%	1.9%	$52,119	$47,347	$43,012
Materials	33.6%	$1,013,148	29.8%	36.7%	$1,004,528	$912,558	$829,009
Overhead	-12.8%	-$386,177	1.2%	-14%	-$382,891	-$347,836	-$315,990
Transportation	0%	$0	0%	0%	$0	$0	$0
Other	2.2%	$66,727	9.2%	2.4%	$66,159	$60,102	$54,599
Total Cost of Goods Sold	50.9%	$1,534,308	42.3%	27%	$739,915	$672,172	$610,631
Gross Profit	49.1%	$1,482,303	57.7%	73%	$2,000,510	$1,817,353	$1,650,965
Operating Expenses:							
People							
Compensation	21.1%	$636,744	3.7%	21.1%	$578,447	$525,487	$477,376
Taxes & Benefits	0%	$0	2.1%	0%	$0	$0	$0
Corporate Culture	0%	$0	0%	0%	$0	$0	$0
Subcontractor expenses	0%	$0	0.2%	0%	$0	$0	$0
Misc. professional fees	0%	$103	0%	0%	$94	$85	$77
Customers							
Sales & marketing	2.3%	$69,987	2.5%	2.3%	$63,579	$57,758	$52,470
Travel, entertainment & meals	1.6%	$47,574	0%	1.6%	$43,218	$39,261	$35,667
Misc. professional fees	0%	$0	0%	0%	$0	$0	$0
Operations							
Automobile expenses	0%	$0	0.1%	0%	$0	$0	$0
Bad debt expenses	0%	$0	0%	0%	$0	$0	$0
Computer related costs	0.1%	$4,134	0.1%	0.1%	$3,756	$3,412	$3,099

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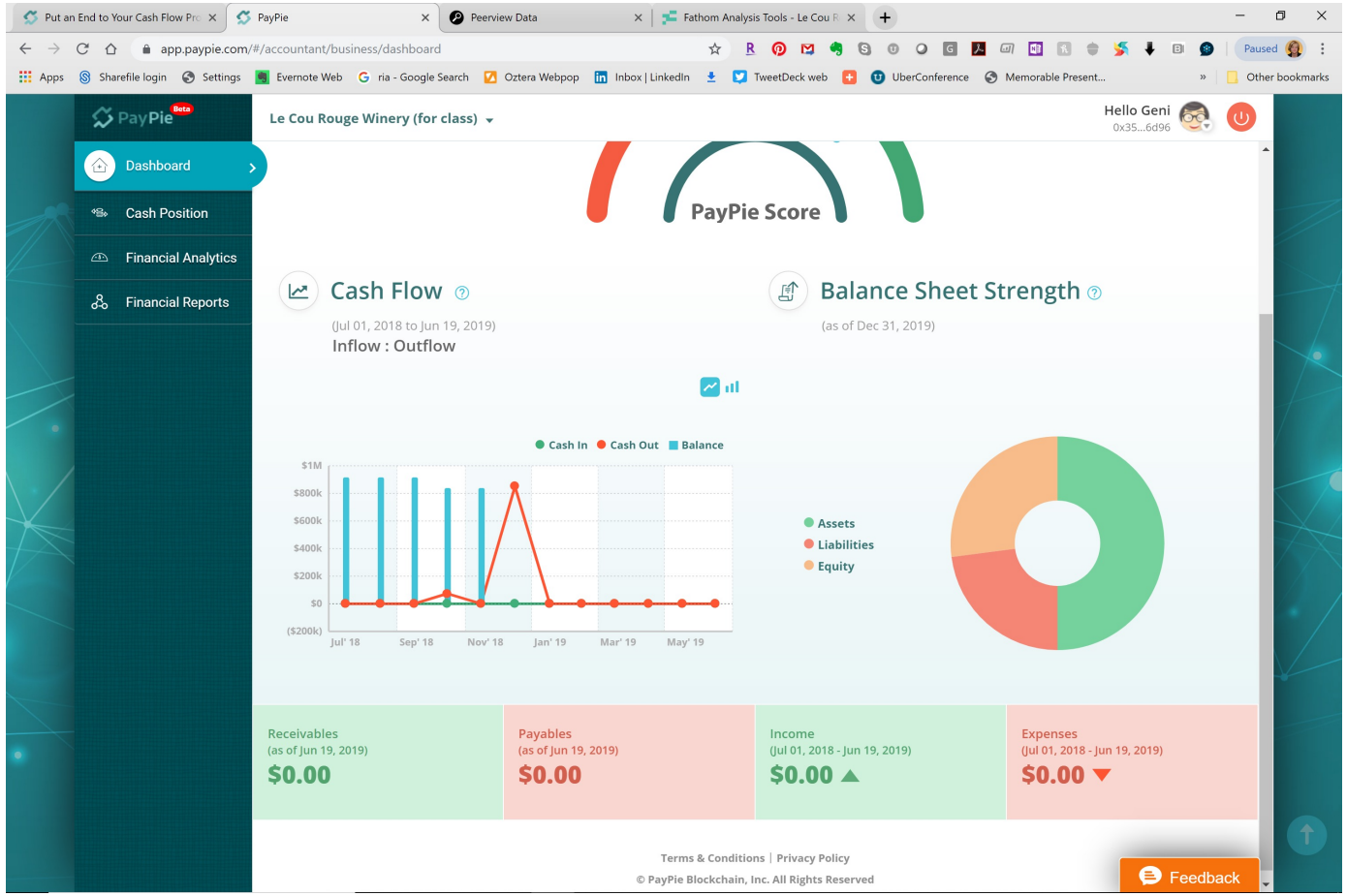
Smansha



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Others

- Qvinci
- ProfitSee
- Jirav

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Putting People First

MY SUCCESSFUL LARGE WINERY
FINANCIAL SCORECARD
For the years ended December 31, 2011 and 2010

D I S C

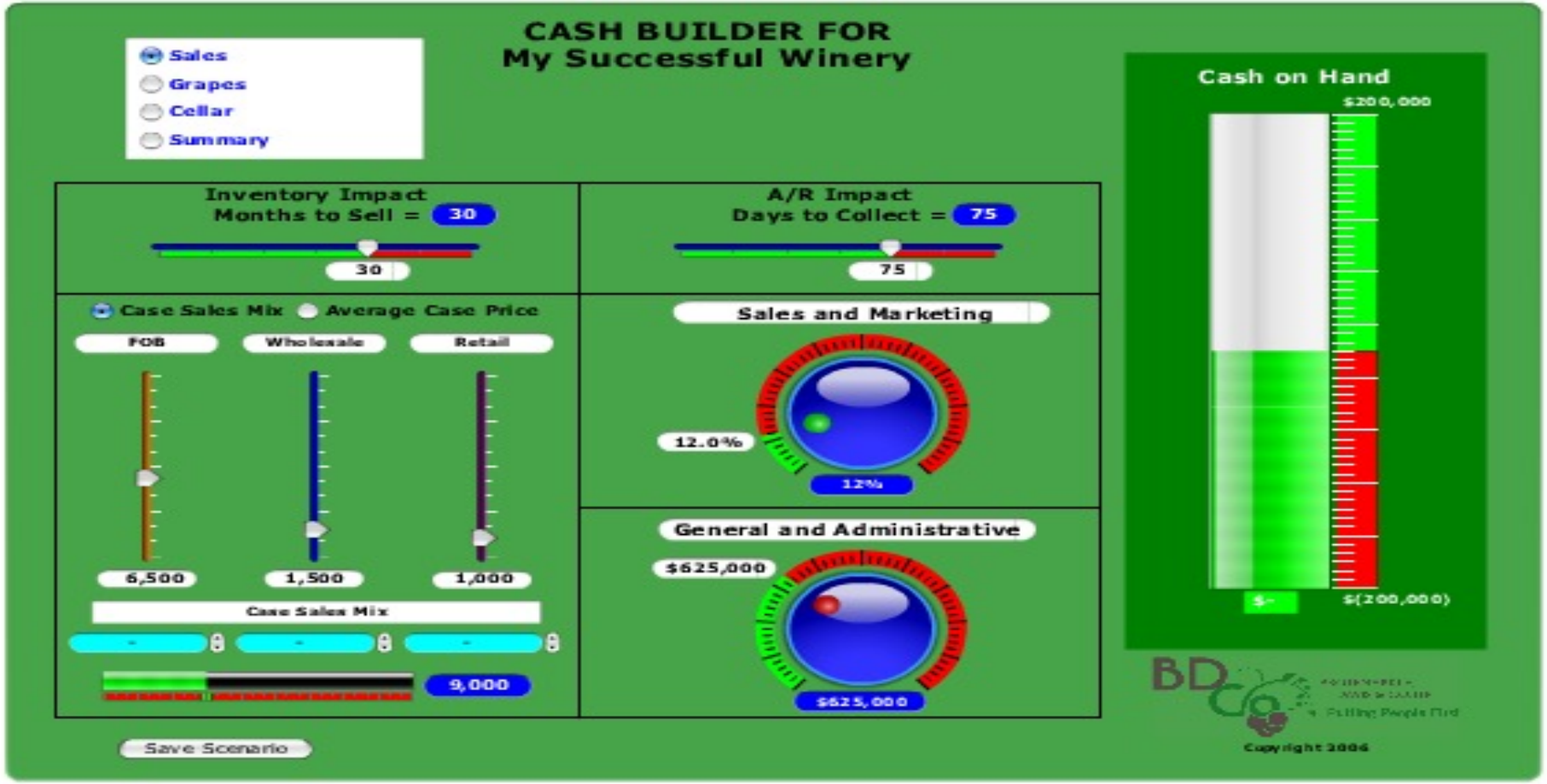
	Financial Indicators	Performance Gauge: To Prior Yr	Performance Gauge: To Industry	2011	2010	Industry	What Does This Mean to You?
	Cash Flows						
1	Accounts Receivable Impact on Cash Flows			$ (239,000)	$ (152,000)		This is the annual impact on cash flows resulting from receivable collections taking (more) or less than 45 days.
2	Inventory Impact on Cash Flows			$ (298,000)	$ 136,000		This reflects the annual impact on cash flows when the sale of your inventory takes (more) or less than 32 months.
3	Cash Generated from each $100 of Sales			$ 5	$ 9	$ 2	Reflects your ability to convert profits into cash.
4	Investment in Fixed Assets			18%	20%	5%	Indicates as a % of sales the amount of cash that was used to purchase property and equipment.
	Profitability						
5	Bottled Wine Sales Growth over Prior Year			-15%	-12%	8%	Reflects the ability of your company to grow its top line.
6	* Gross Margin Percentage			38%	48%	45%	Reflects the ability of your company to control the cost of wine sold.
7	* Projected Gross Margin - Current Vintage			128%			Reflects the gross margin that would be realized when the current year's vintage is sold, based on current sales prices.
8	Visitors' Center % of Total Operating Income			88%	109%	25%	The impact your visitors' center operating income had on the Company's total income from operations (before general & administrative costs).
9	* Return on Sales Before Interest and Taxes			-9%	10%	5%	As sales rise, you must be able manage your expenses. This reflects whether you were able to control your costs.
10	* Return on Assets Before Interest and Taxes			-3%	4%	1%	Return on assets (profit/assets) improves when sales rise faster than expenses and/or assets.
11	* Return on Equity Before Interest and Taxes			-11%	14%	2%	Return on equity (profit/equity) shows whether an investor is better off over the long term investing in this business or somewhere else.
	Management						
12	Farming Costs - per Producing Acre			$ 9,000	$ 9,200	$ 6,500	Based on your strategy this reflects your ability to manage your grape costs. Excludes depreciation and property taxes.
13	Grapes Farmed - Cost per Case			$ 85	$ 78	$ 65	Reflects the farming cost component that will be included in the wine bottled from the current year's harvest.
14	Grapes Purchased - Cost per Case			63	65	$ 55	Reflects the purchased grape cost component that will be included in the wine bottled from the current year's harvest.
15	Cellar Costs per Case			$ 17	$ 18	$ 20	Represents the average cost of cellaring your bulk wine during the year.
16	Sales and Marketing - % of Sales			10%	9%	8%	Sales and marketing costs should stay in line with sales. An increase could reflect an unbalanced use of resources over the long term.
17	General and Administrative - % of Sales			11%	9%	13%	G&A costs should be maintained. As sales increase this % should decrease as more profit is available to cover overhead.

* Calculated using the Specific Identification inventory method.

SCORECARD

Custom Dashboard

D I S C



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Profit Equation Planner by Mentor Plus

	A	B	C	D	E	F
33	**Analysis**		Current	Incremental Change	Result	Incremental
34		Monthly revenue impact of volume increase	$ 476,000	$ -	$ 476,000	
35		Monthly revenue impact of mix change	$ 476,000	$ -	$ 476,000	$ -
36		Monthly revenue impact of price increase	$ 476,000	$ -	$ 476,000	$ -
37						
38		Combined monthly revenue impact of mix + price increase	$ 476,000	$ -	$ 476,000	$ -

Le Cou Rouge Retail Profit Equation Planner

3	**Retail**					
4				What If		
5	**Volume Calculations**		Current	Incremental Change	Result	
6		Days open	260		260	
7		Average Number of visitors per day	20		20	
8		Number of visitors buying per day	10.00		10.00	
9		Conversion Ratio	**50.00%**		**50.00%**	
10		Average Cases per Customer per day	0.3846		0.3846	
11		Total cases sold	1000.00		1,000.00	
13	**Price Calculations**		**Current**	Incremental Change	**Result**	
14	**A. Mix**					*Chg in Cases*
15		Chardonnay	50.86%		50.86%	*0.00*
16		Cabernet	49.15%		49.15%	*0.00*
31			100.0%		100.00%	
32						
33	**Analysis**		Current	Incremental Change	Result	Incremental
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46						
58						
59						

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Two New Tools

- Autoreview.com
- iCompleat.com – AP automation plus evaluation of purchases

Tailor Your Message for Different Audiences

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Audience

Owners, Employees, Lenders/Investors

Owner’s dilemma

What do I do tomorrow?

Am I on the right track?

How do I compare with others in my industry?

How do I drive behaviors?

What he needs

What we give him

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Tools for Owners

Dashboard - Fathom

Flash reports – or BI tools

Scorecard

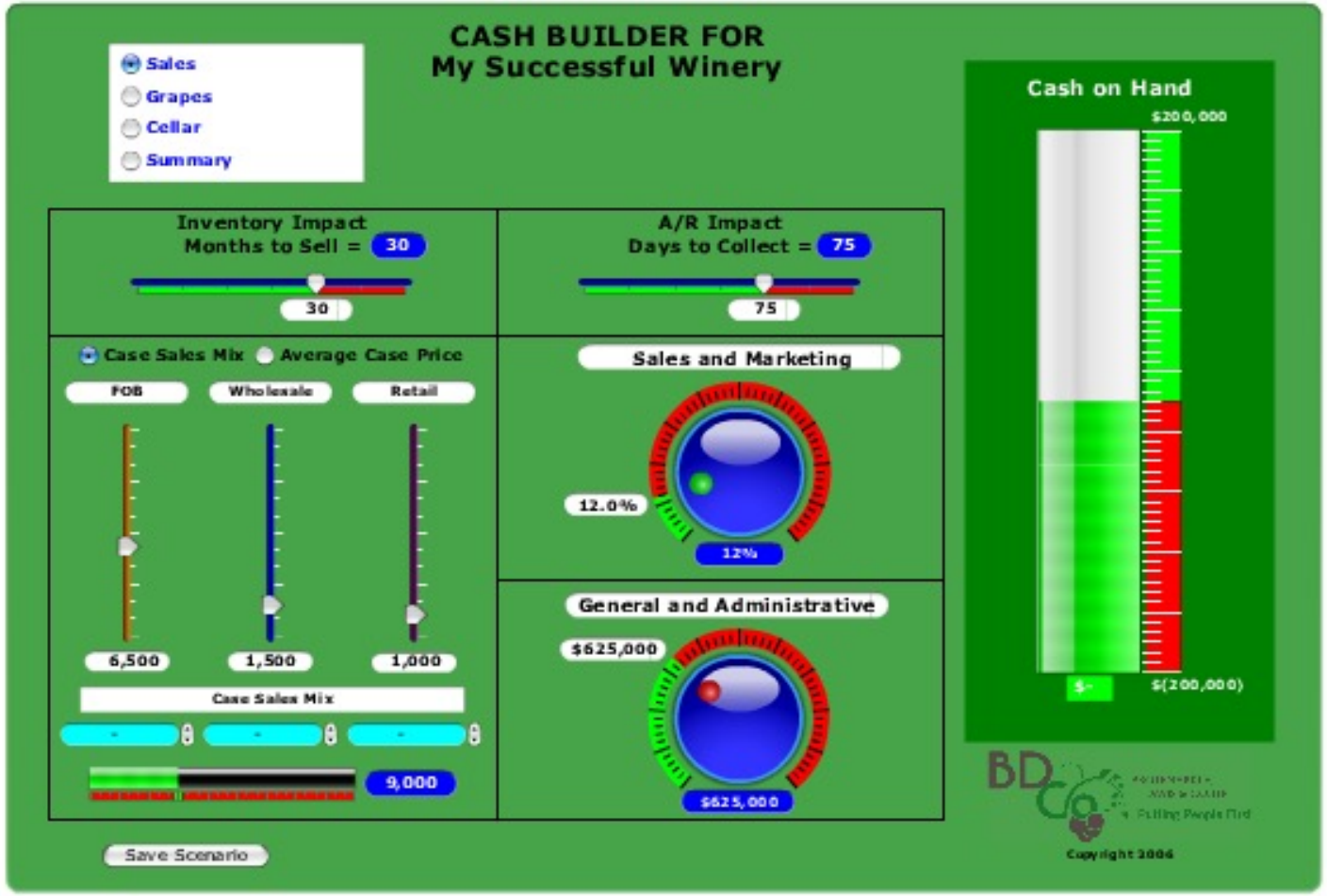
Excel

- Graphs
- Conditional formatting

Smart Draw

SAP Crystal Dashboard Design, Starter Package

Formerly Xcelsius



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11	* Return on Equity Before Interest and Taxes			-11%	14%	2%	Return on equity (profit/equity) shows whether an investor is better off over the long term investing in this business or somewhere else.
Management							
12	Farming Costs - per Producing Acre			$ 9,000	$ 9,200	$ 6,500	Based on your strategy this reflects your ability to manage your grape costs. Excludes depreciation and property taxes.
13	Grapes Farmed - Cost per Case			$ 85	$ 78	$ 65	Reflects the farming cost component that will be included in the wine bottled from the current year's harvest.
14	Grapes Purchased - Cost per Case			63	65	$ 55	Reflects the purchased grape cost component that will be included in the wine bottled from the current year's harvest.
15	Cellar Costs per Case			$ 17	$ 18	$ 20	Represents the average cost of cellaring your bulk wine during the year.
16	Sales and Marketing - % of Sales			10%	9%	8%	Sales and marketing costs should stay in line with sales. An increase could reflect an unbalanced use of resources over the long term.
17	General and Administrative - % of Sales			11%	9%	13%	G&A costs should be maintained. As sales increase this % should decrease as more profit is available to cover overhead.

* Calculated using the Specific Identification inventory method.

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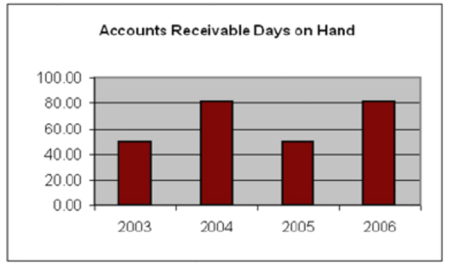
Business InTouch Client Intelligence Network

SMITH & JONES ACCOUNTING

Audit, Tax & Business Consulting Services

Cash Driver Analysis for: Smith Brothers Building

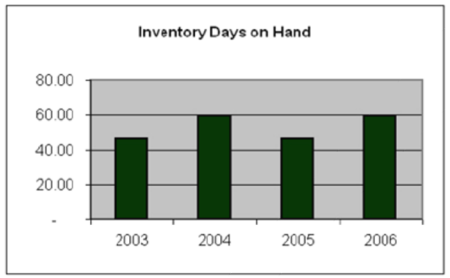
Accounts Receivable



Average Sales per day	$	42,426
AR DOH - 2006		81.32
AR DOH - 2005		49.57
Variance		(31.75)
Cash (Cost) / Benefit of Variance	$	(1,347,138)

Action Items:
1) Review Credit Policy and Collection Procedures
2) Compare Credit terms to competitors
3) Establish different payment terms for different products/services
4) Charge interest on past due invoices

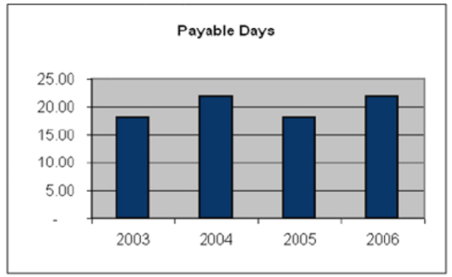
Inventory



Average Inventory per day	$	27,091
Inv. DOH - 2006		59.71
Inv. DOH - 2005		46.35
Variance		(13.37)
Cash (Cost) / Benefit of Variance	$	(362,134)

Action Items:
1) Review purchasing policies
2) Evaluate production procedures
3) Ask for competitive bids on all parts and services
4) Analyze employee efficiency

Accounts Payable

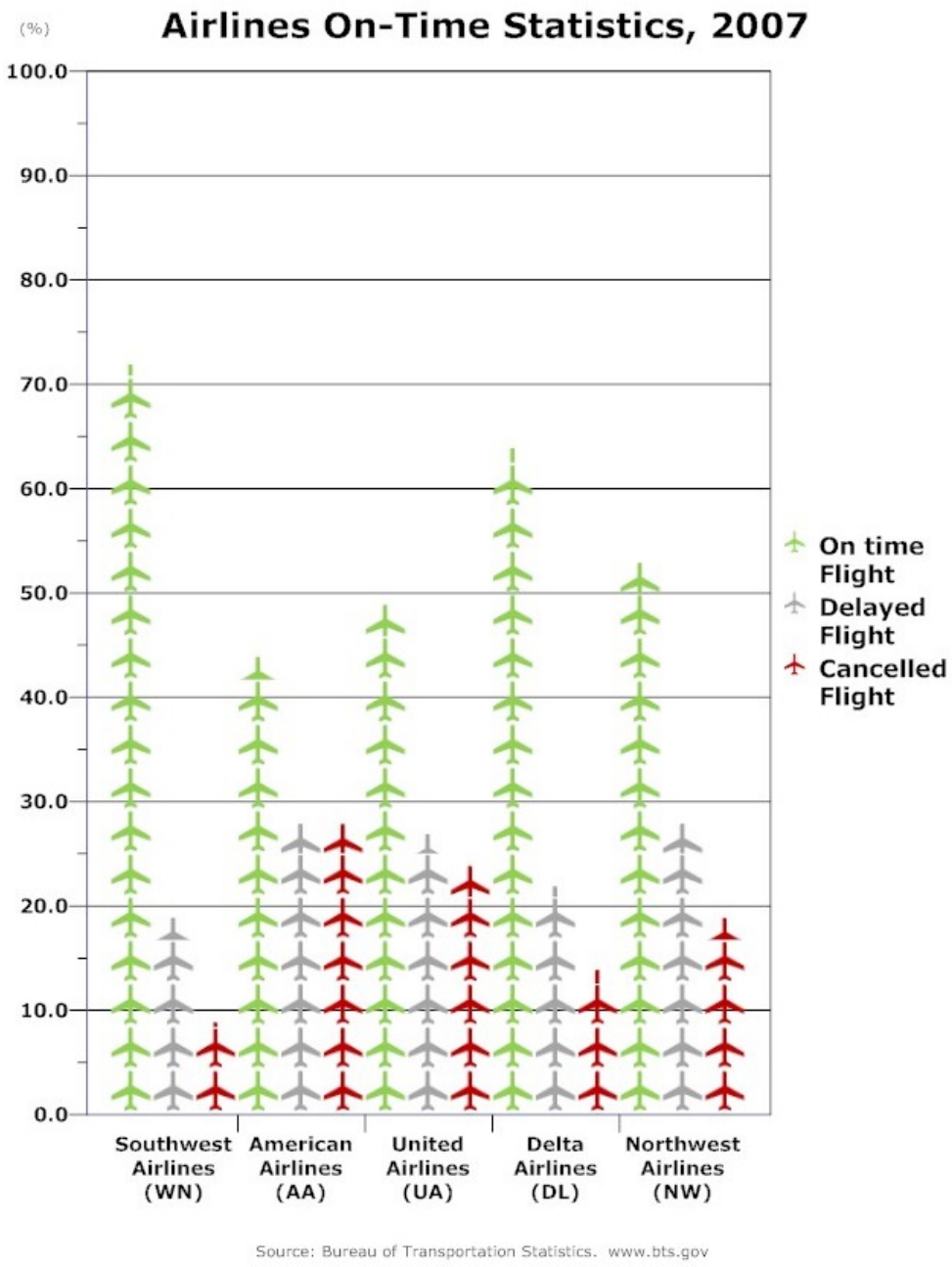


Average Payable per day	$	27,091
A/P. DOH - 2006		22.05
A/P. DOH - 2005		18.19
Variance		3.87
Cash (Cost) / Benefit of Variance	$	104,734

Action Items:
1) Review purchasing policies
2) Request extended payment terms
3) Establish Just in Time inventory ordering
4) Analyze outsourcing certain parts/services

iLumen

SmartDraw


Airlines On-Time Statistics, 2007
(%)
100.0
90.0
80.0
70.0
60.0
50.0
40.0
30.0
20.0
10.0
0.0
Southwest Airlines (WN)
American Airlines (AA)
United Airlines (UA)
Delta Airlines (DL)
Northwest Airlines (NW)
On time Flight
Delayed Flight
Cancelled Flight
Source: Bureau of Transportation Statistics. www.bts.gov

Data

DataSelf Business Intelligence - Produce.bbk - ProClarity Desktop Professional

File View Navigate My Views Book Tools Help

Back Forward Reset Apply Setup Timeline View Sort Filter Book Analytics Server Selector KPI Designer

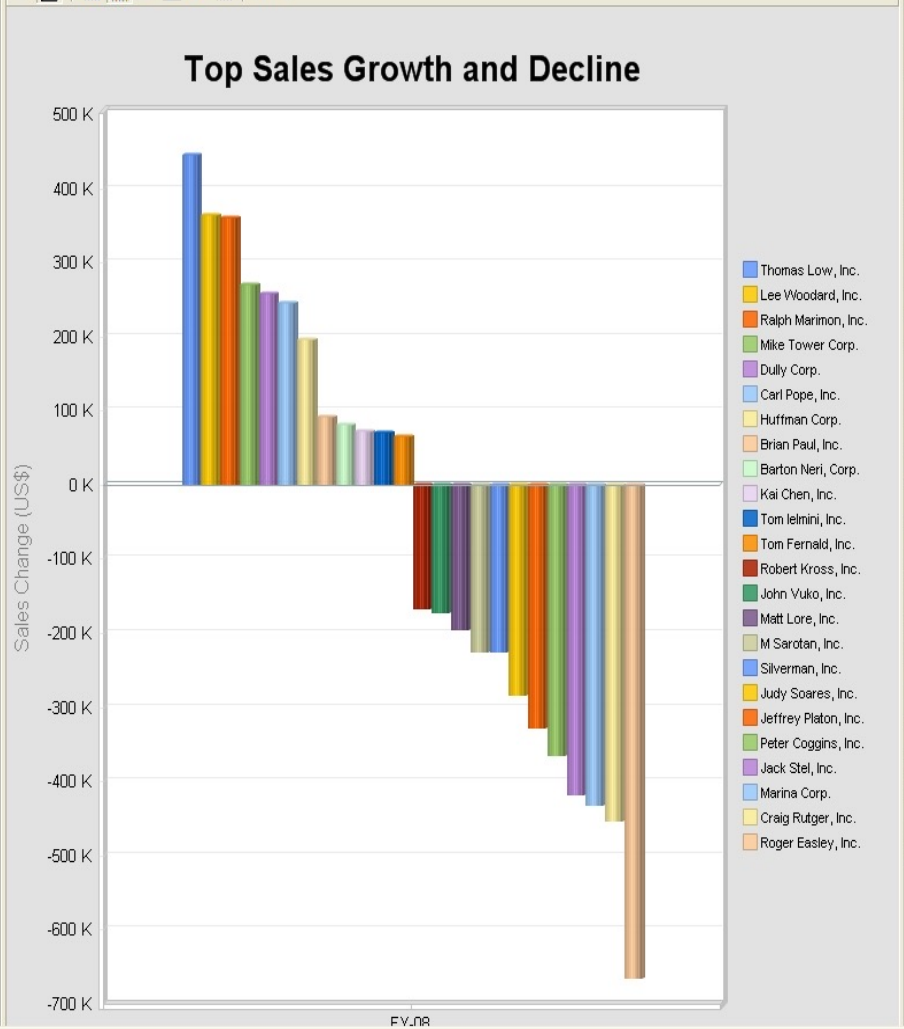
FY-06 FY-07 FY-08

Briefing Book

Add... Organize...

- Sales Samples
  - Intro: Monthly Sales Comparison
  - Top Customers by Sales This Year
  - Top Customers by Sales Growth and Decline
  - Customers with Sales Last 90 Days, No Sales Last 30
  - Top Customers - Accumulated Sales
  - Sales by Ship To
  - Commissions and Sales Projections by Salesperson
  - Top Products by Sales This Year
  - Top Products by Sales Growth and Decline
  - Products with Sales Last 90 Days, No Sales Last 30
  - Top Products - Accumulated Sales
  - Misc: Exception Reporting: Customer Loyalty
  - Misc: Customer Perspective - GP by Qty Sold
  - Misc: Customer Performance Map
  - Misc: Sales of Top Products to Top Customers
  - Misc: Top Customers by Sales w/ Flags
  - Misc: Exception Reporting: Sales of Two Products
  - Misc: Product Category Performance Map
  - Misc: Sales by Salesperson & Cst sliced by Prod Cat
  - Misc: Sales Decomposition Tree
  - NEW: Build Query from Scratch
  - Sales Commission and Projections
- Inventory Samples
- Purchasing Samples
- Receivables Samples
- Financial Samples
- CRM Samples
- Budgeting Samples
- test

Sales Amount Growth from Prior Year (Customer)



	FY-08
Thomas Low, Inc.	$445,014.50
Lee Woodard, Inc.	$363,761.40
Ralph Marimon, Inc.	$360,237.40
Mike Tower Corp.	$270,603.70
Dully Corp.	$257,676.00
Carl Pope, Inc.	$245,997.90
Huffman Corp.	$195,511.20
Brian Paul, Inc.	$91,823.70
Barton Neri, Corp.	$80,534.60
Kai Chen, Inc.	$73,110.00
Tom Ielmini, Inc.	$70,138.00
Tom Fernald, Inc.	$65,352.20
Robert Kross, Inc.	($167,067.40)
John Vuko, Inc.	($171,828.60)
Matt Lore, Inc.	($195,244.80)
M Sarotan, Inc.	($224,652.30)
Silverman, Inc.	($224,807.00)
Judy Soares, Inc.	($282,169.20)
Jeffrey Platon, Inc.	($327,096.80)
Peter Coggins, Inc.	($364,700.50)
Jack Stel, Inc.	($417,732.00)
Marina Corp.	($430,518.50)
Craig Rutger, Inc.	($453,212.20)
Roger Easley, Inc.	($664,520.80)
Subtotal	($1,403,789.50)

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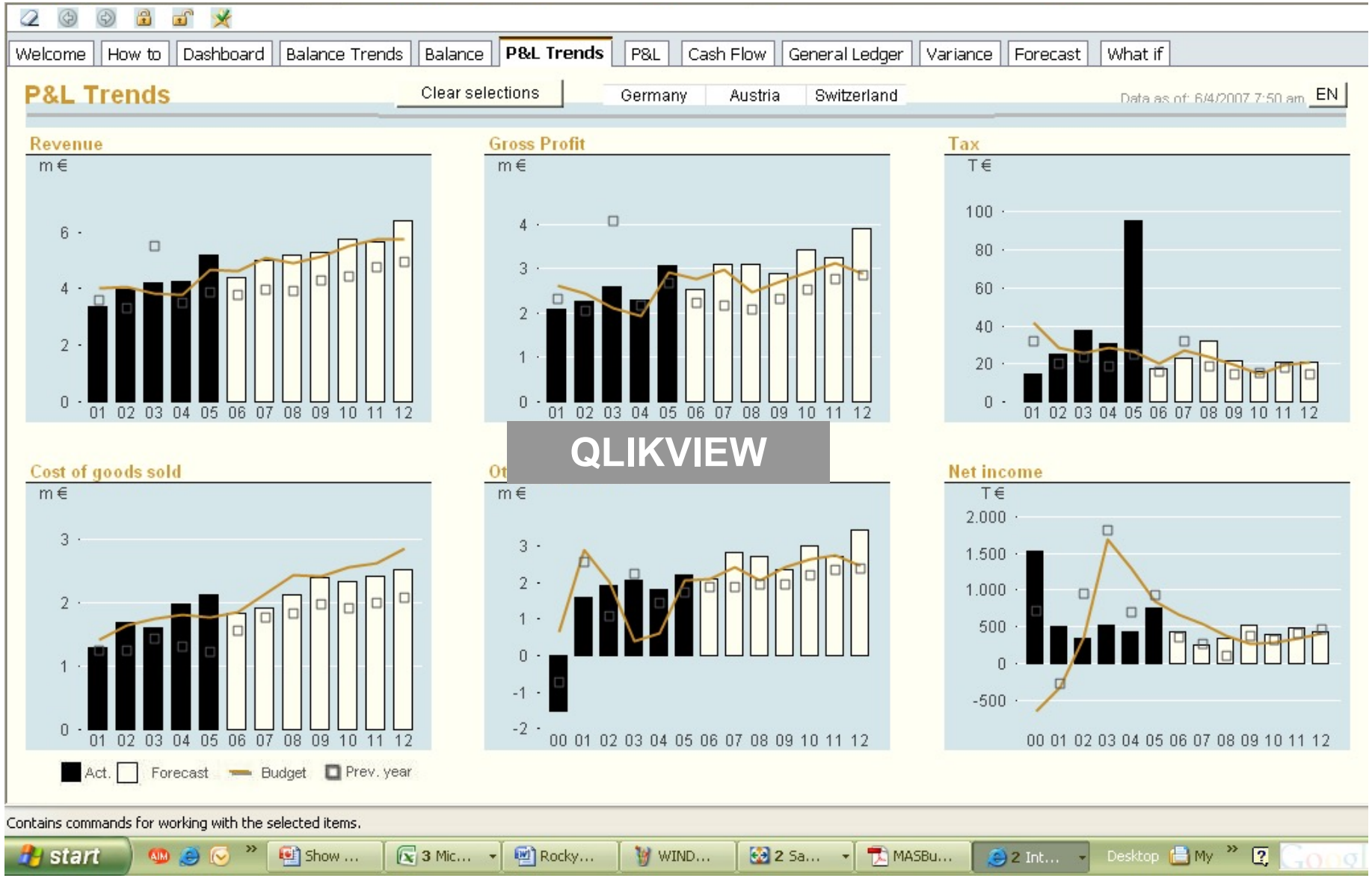
Welcome
How to
Dashboard
Balance Trends
Balance
P&L Trends
P&L
Cash Flow
General Ledger
Variance
Forecast
What if
P&L Trends
Clear selections
Germany
Austria
Switzerland
EN
Revenue
Gross Profit
Tax
Cost of goods sold
Net income
QLIKVIEW
Act.
Forecast
Budget
Prev. year
Contains commands for working with the selected items.
start

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Employee

Visible measures

Controllable costs

Connection to the big picture

What she needs

What we give her

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What to do

Educate first

- Financial literacy
- Non technical

Reward and measure

Financial Statements

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Increase Net Income

Olive Tree Winery

Income Statement for the Years Ended December 31, 2009 and 2008

Years Ended	*2009*	*2008*
REVENUE:		
Wine sales	350,000	275,000
Cost of wine sold	(187,500)	(137,500)
Events (net)	20,000	32,000
Gross Profit	162,500	137,500
OPERATING EXPENSES:		
Sales	42,500	38,250
Marketing	22,100	19,890
Salaries and Wages	52,000	36,450
Rent	20,000	18,000
Utilities	12,000	10,800
Operating Expenses	148,600	123,390
Operating Income (Loss)	13,900	14,110
[redacted]		
Net Income (Loss)	11,000	13,149

Increase Revenues

Reduce Costs

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Team Exercise

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Connect Financial Statements…

… to operational metrics

Revenue goals ->KPIs

Department goals

Net income to action steps

Educate teams in financial concepts

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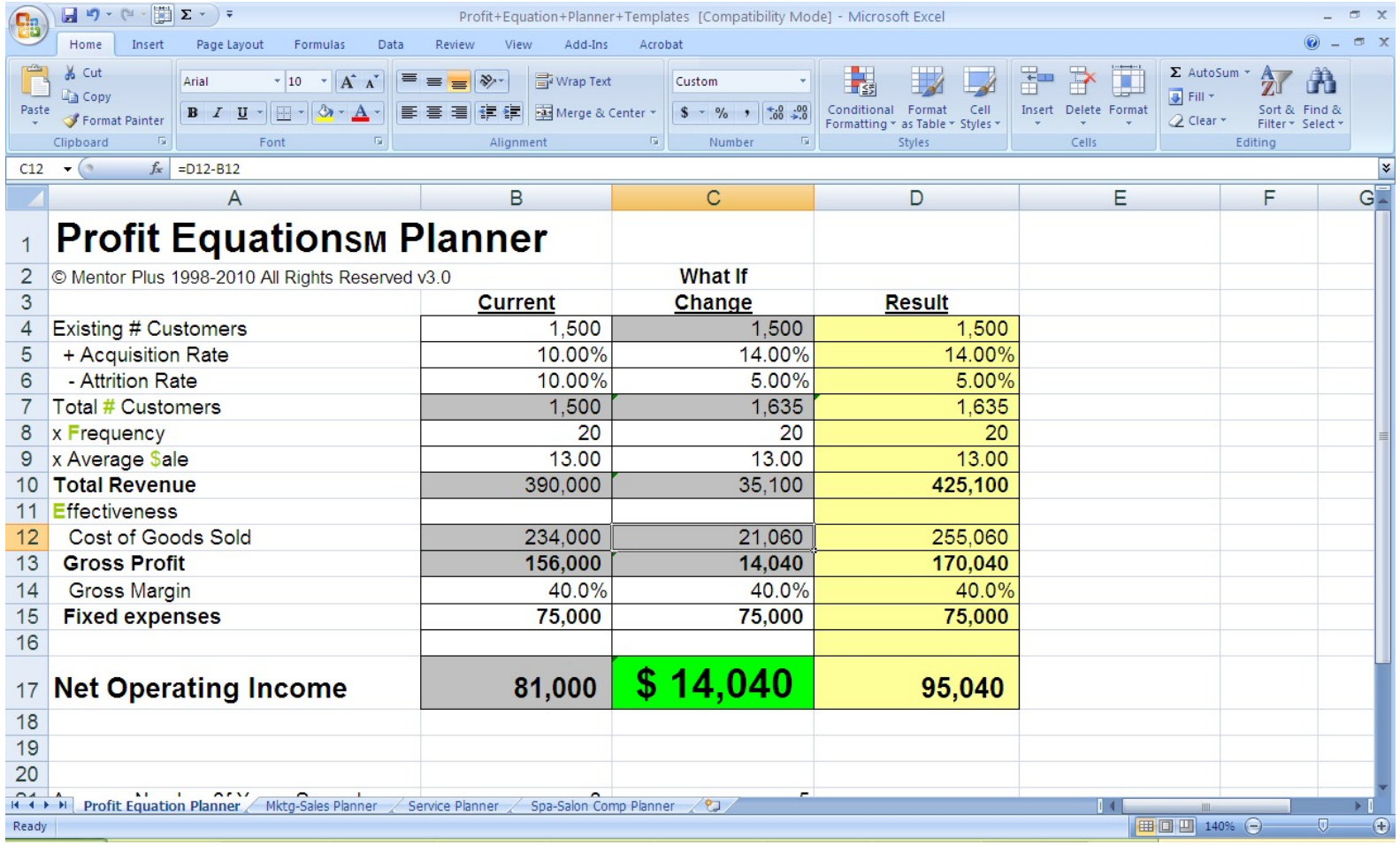
Tools for employees

What ifs by department

Visible KPIs

Read Three Signs of a Miserable Job by Patrick Lencioni

Mentor Plus Profit Planner



Profit Equation Sm Planner

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	Current	What If Change	Result
Existing # Customers	1,500	1,500	1,500
+ Acquisition Rate	10.00%	14.00%	14.00%
- Attrition Rate	10.00%	5.00%	5.00%
Total # Customers	1,500	1,635	1,635
x Frequency	20	20	20
x Average $ale	13.00	13.00	13.00
Total Revenue	390,000	35,100	**425,100**
Effectiveness			
Cost of Goods Sold	234,000	21,060	255,060
Gross Profit	**156,000**	**14,040**	**170,040**
Gross Margin	40.0%	40.0%	40.0%
Fixed expenses	**75,000**	**75,000**	**75,000**
Net Operating Income	**81,000**	**$ 14,040**	**95,040**

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Accounting Packages

QuickBooks Financial Statement report writer

Peachtree Business Analytics

Sage Simply Accounting Intelligence

Mas90 dashboard

Microsoft Dynamics NAV

ZAP

Corporate Finance Overview

Name	Actual	Target	Status	Previous	Trend
Performance ('000)					
Revenue ('000)	154.25	313.82		298.88	
Expenses ('000)	(44.98)	(14.84)		(15.62)	
Net Operating Profit After Tax ('000)	92.41	254.35		242.23	
Profitability					
Gross Margin %	44.24 %	155.76 %		35.19 %	
Return on Assets	42.27 %	100.00 %		522.58 %	
Return on Equity	-	200.00 %		-	?
Liquidity					
Quick Ratio	-4.57	2.00		-11.38	
Cash Ratio	-4.38	1.50		-10.99	
Current Ratio	-4.07	0.50		-18.36	
Sales to Working Capital Ratio	1.66	2.00		0.84	
Total Debtors Amnt ('000)	1,835.00	1,500.00		1,835.00	
Total Debtors Amnt > 90 days ('000)	225.34	150.00		-	?
Cash On Hand ('000)	37.21	2,034.74		1,937.84	
Leverage					
Debt Ratio	-6.78	1.00		0.10	
Debt to Equity Ratio	-	2.00		-	?
Interest Coverage Ratio	-	1.50		-	?

Banker / Investors

Want us to manage cash

Show that we are in control of the business

Covenants

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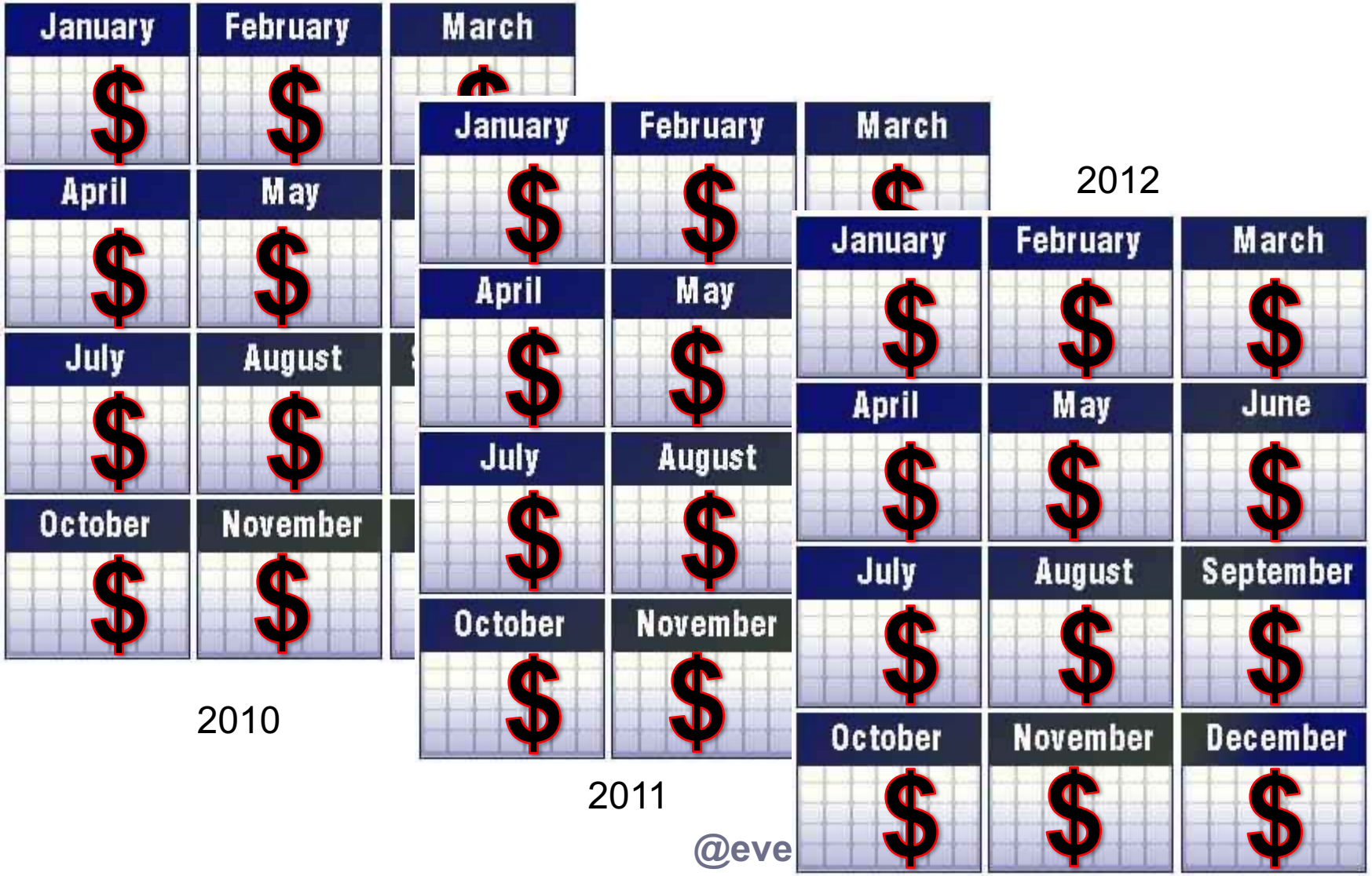
What they want



@eve

What we give them

?

Tax return? Inventory listing, AR aging

Why don’t we plan for cash?

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$COPE It!

What-ifs

Goal seeks

Custom Measures

ProfitCents

LIQUIDITY	★★★★★	BORROWING	★
PROFITS & PROFIT MARGIN	★★★	ASSETS	★
SALES	★★★★★	EMPLOYEES	★

LIQUIDITY ★★★★★

Generally, what is the company's ability to meet obligations as they come due?

The company has a good overall liquidity position this period. In fact, it is even better that **all of the firm's major liquidity indicators are moving up**. In this key area, trends are even more important than raw data because liquidity is generally such a quickly changing condition.

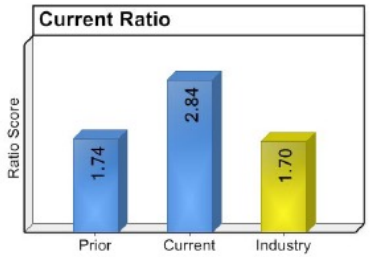
It is positive that the company's cash and near-cash assets have grown relative to short-term obligations. This is particularly important because the company had slightly too much liquidity tied up in non-cash assets last period. It might be a good time to make more "investments" in these highly liquid accounts.

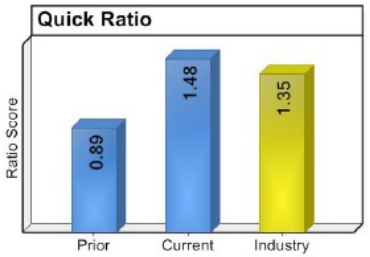
One negative trend that might hurt liquidity in the future is the decline in the firm's net profit margin, which will be discussed in the next section. For now, it is important to note that net margins direct long-term liquidity in the company. The Income Statement and the Balance Sheet influence each other from this perspective.

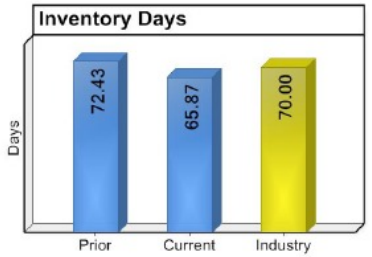
The company's accounts payable days ratio is low, but its inventory and accounts receivable days ratios are average or normal. This means that the company is paying vendor accounts early but collecting cash in a more normal manner. It is a minor point but in many cases, companies should not pay vendors earlier than how they are collecting revenues from customers.

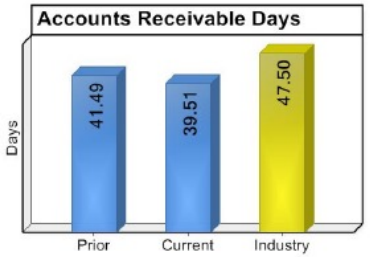
There are many basic ways to improve cash flow and liquidity in the business. Some **possibilities** follow: 1) Review accounts receivable monthly and take aggressive action to collect "bad" accounts. Generally, there are almost always ways to be more aggressive in collections without losing customers. 2) Use as much trade credit as is possible and reasonable. 3) Increase/get a line of credit from the bank. 4) Offer different credit terms to different customers. It is often counterproductive to give the same credit terms to all different types of customers. For example, why provide credit to those customers who might be indifferent to it?

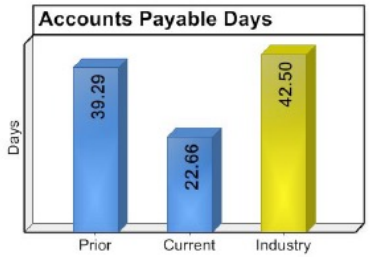
ProfitCents











PROFITS & PROFIT MARGIN

Are profitability trends favorable in the company?

This company does have an issue to address with regard to Income Statement performance: operating expenses. Even though sales are higher by 11.65%, net profits and net profit margins actually fell this period. This means that the company spent significantly more money on operating costs. Generally, it is acceptable to spend money on operating costs; the problem in this case is that the increased expenditures have not generated any more net profits in the company, at least as of yet. Right now, net profit margins are still relatively healthy for the business this company is in, but further margin reductions could put the company in a weaker position. The company should not overreact to these one-time results, but it will want to monitor net margins quite closely in the future. After all, while it is true that the company's net profitability is average, it is not outstanding for this industry. This is evident in the graph area of the report.

However, there is one more point to consider as well. It should be determined whether management is deliberately trying to keep profits and margins at only "average" levels. Perhaps the company is investing in future growth - expenses that will push higher long-term profits and sales. If this is the case, it is **not**

Resource links

iLumen Benchmarking www.ilumen.com

Crystal Dashboard Design

www.store.businessobjects.com $495

ProfitCents www.profitcents.com $948/user

QlikView Reporting www.qlikview.com

DataSelf Excel Add-in www.dataself.com

$COPE IT! www.mentorplus.com $995 /license

SmartDraw www.smartdraw.com $197

ZAP www.zaptechnology.com

Thank You!

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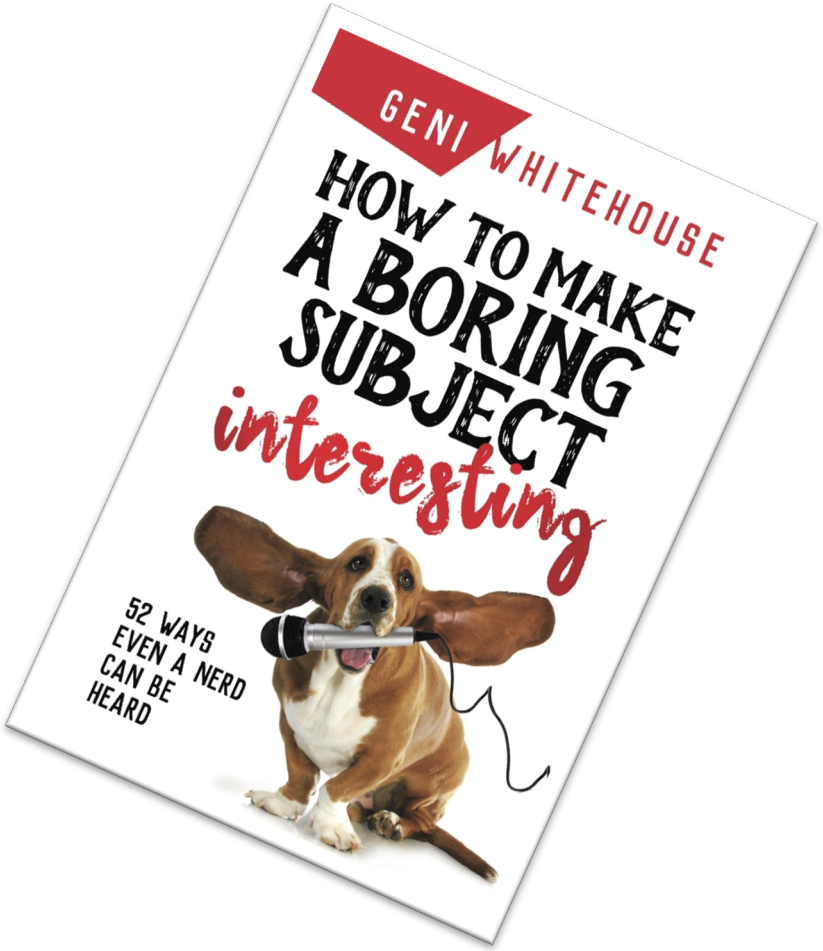
Thank you!

Geni Whitehouse

Geni@evenanerd.com

Geni@bdcocpa.com



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