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This Issue

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Growing Your Startup's Finance Team

Taylor Davidson recently wrote on FP&A roles for growing companies. It got me thinking about my experiences working in-and with-startups. I believe the people you hire are the single most important factor in a company's success, and assembling the right team is a CEO's most important job. A CEO must also ensure the company generates real value, i.e. you bring in more money than it takes to deliver your product or service. Having a strong finance team helps avoid losing sight of this; however, good finance hires are expensive, so how do you best allocate resources to your finance team as you grow? Here are my thoughts:

Roles and Responsibilities
First, let's agree on some general definitions. What is finance vs. accounting vs. bookkeeping? "Finance" is an umbrella term, but for the purposes of our discussion "Finance" means executive level strategy, whereas "Accounting" is more operational & tactical, and "Bookkeeping" is the most basic form of expense and revenue categorization.

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The following are some general titles of folks you may hire, either internally or outsourced, from the most basic/ tactical to the most complex/strategic: Bookkeeper / AP & AR specialist; Staff Accountant; Senior Accountant; Controller / Accounting Manager; FP&A Manager / Head of Finance; CFO
Compensation can vary wildly by company, stage, and industry. Duties can also vary. Some staff accountants will handle very complex items, and some controllers may handle very low-level tasking if they are the only full-time accounting member.

Tax Accounting vs Managerial Accounting
Founders often think they "have accounting taken care of," but 90% of the time that means they only have a single tax accountant they talk to once a year, which won't work for high-growth startups. Tax accounting is complex, especially given changes in US tax law (Section 174 anyone?). High-growth startups should invest in a managerial accountant that is involved monthly, and use a larger tax accounting firm with a deep bench of talent and industy experitise.

***This graphic is a representation of standard startups at each stage of growth, including the typical number of years, funding, team, and focus.**

The Stages of Startup Growth

01

Stage: Inception and Startup

Year ~ 0 **Funding ~ < $500k** **Team : Outsourced Consultant**

Create FinTech stack and automate accounting and finance tasks to set up for success, saving time and money later on.

02

Stage: Pre-Seed

Year ~ 0-2 **Funding ~ < $2M** **Team : Outsourced Bookkeeper**

Implement routine best practices & close processes in accordance with GAAP compliance ahead of Series raise

03

Stage: Seed

Year ~ 2 -4 **Funding ~ < $8M** **Team : Internal Bookkeeper, Outsourced Accounting Firm, FP&A Consultant**

Bring bookkeeping in-house and partner with a consultant who can build a rolling 12-18 month forecast with multiple scenarios for your new funds

04

Stage: Series A

Year ~ 4-6 **Funding ~ < $20M** **Team : Internal Bookkeeper, Internal FP&A, Outsourced Accounting firm**

Congrats! Transition strategic finance duties from the CEO to your new Head of Finance to manage budgeting and accountability for your org

05

Stage: Series B to Exit

Year ~ 2 -4 **Funding ~ < $8M** **Team : Internal Finance team, Full-time CFO**

As you start exit planning, hiring a full-time CFO or boutique CFO firm will prepare you for acquisition or IPO

PLATFORMS TO CONSIDER

- intuit quickbooks
- gusto
- RIPPLING
- Brex
- stripe
- shopify
- Square
- melio

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Our team has:

- Held leadership roles in startups from inception to pre-IPO
- Led companies through their first audits
- Managed due-diligence and fundraising for multiple Series A rounds
- 25+ years combined experience helping startups manage non-dilutive federal funding from DoD, NSF, NIH, DOE, and more

Whether you are just starting out or are looking to overhaul and streamline your financial operations, we can help. Shoot us an email at: info@donnelly-boland.com

The focus of the organization shifts from building a prototype and testing the market to scaling the business, expanding the product or service offering, and optimizing operations. Throughout each stage, technology plays a crucial role in enabling growth and efficiency, with a range of software tools available to support the various business functions.

As the business matures, the focus turns towards achieving profitability, expanding the customer base, and ultimately achieving an exit strategy including a merger, acquisition, or public listing. By following a well-planned startup roadmap and leveraging the right tools and team, entrepreneurs can increase their chances of success and create a lasting impact in the tech industry.

Final Thoughts

In the startup world, tech debt and financial operations debt are common concepts. While tech debt refers to the work needed to fix code or technical infrastructure that was initially implemented quickly, financial operations debt can be avoided with key tools, best practices, and expert consultants, ultimately saving startups tens or hundreds of thousands of dollars in their early years.

By having an expert to provide data for decision-making, companies can improve and become more effective, reducing the weight on executive decision-making and saving time. For startups between inception and Series A that have concerns about their admin tech stack, accounting & finance, or operations, expert help is available to guide and support them.

Interested in learning more? Check out the full article with additional features

Takeaways

- Acquire a professional finance team that is scaled to your startup stage
- Maximize your optimization by using an array of integrated softwares
- Find experienced consultants that follow the data to pave the road ahead

Keeping Great Business Records

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Your bookkeeping system is the financial heart and lifeblood of your business. When set up and operating properly, your books help you make smart decisions and seamlessly turn your financial data into useful information. Here are four key characteristics to building and maintaining a healthy bookkeeping system:

Select the Proper Accounting Method

There are two different methods for recording transactions: cash-basis and accrual-basis. In general, the cash-basis method records a transaction when a payment is made, while the accrual-basis method books the transaction upon delivery of the good or service. Cash-basis is easier to track and a useful option for smaller businesses and sole-proprietors. Larger businesses who buy from vendors on account (accounts payable) generally use accrual-basis accounting.Selecting the proper method affects any related financial transactions and how your financial statements are displayed. A correct approach will also include consideration of outside factors, including IRS rules (businesses with more than $25 million in gross receipts must use accrual-basis), bank covenants, and industry standards. Once a choice is made, it can be changed but it must be properly reported to the IRS.

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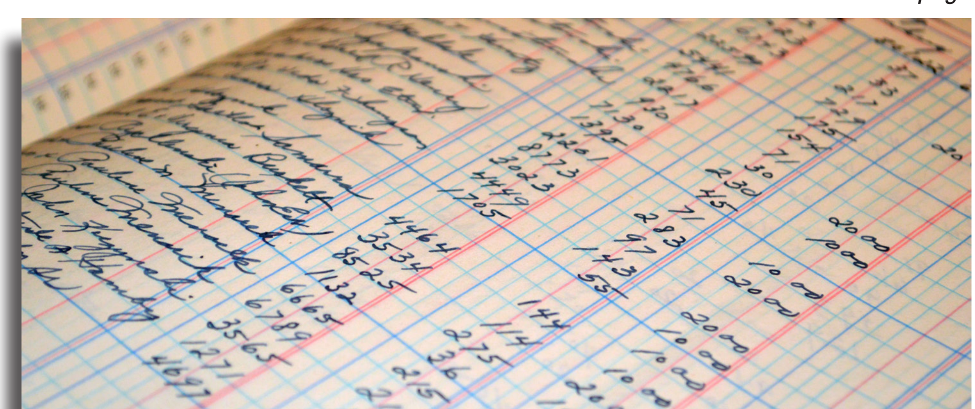

Create an Account Structure that Fits the Company

Every business has a chart of accounts included in their bookkeeping system. These accounts sort the business's transaction data into six meaningful groups. They are assets, liabilities, equity, income, cost of goods sold and other expenses. Each group will often have numerous accounts and sub-accounts associated with them. Having the right mix of accounts, created and grouped in an organized fashion, will help you properly classify transactions and prepare usable financial statements. The proper account structure for your company will mesh with your specific information needs.

Enter accurate and timely transactions. The value your data provides is dependent on each transaction being recorded correctly and on time. Entering transactions in the wrong account can cause major issues down the road. Financial reporting that is delayed can hide problems that need immediate attention. Some transactions are relatively straightforward, and some are more complex (like payroll, accruals and deferrals).It's important to have someone who understands both your business and the accounting rules to enter your transactions in a timely fashion. In addition, a good month-end close process that involves reviewing each account will help you identify and fix mistakes from the initial entries.

Establish financial statements for decision-making

The main financial statements are the income statement (income - expenses = gross profit), the balance sheet (assets - liabilities = equity) and statement of cash flow. Each statement has a specific purpose:

Income Statement

The income statement shows company performance for a select period of time, typically monthly with a full-year summary. At the end of each year the income statement restarts.

Balance Sheet

The balance sheet displays a company's overall health on a specific date. It is perpetual. This means it doesn't end until the business is closed or sold. It includes one line that summarizes the current year and prior year results from the income statement.

Statement of Cash Flow

This statement summarizes the inflows and outflows of cash. It ensures you know whether you have enough cash and the pattern of your cash position over time. If properly executed, your bookkeeping system will create accurate financial statements that can be used to make key financial decisions. Feel free to call with any questions or to discuss bookkeeping solutions for your business.

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Tips to Get Your Finances in Tip-Top Shape

As we move further into 2023, it's essential to make sure our financial health is in order. Whether it's managing debt, preparing for unexpected emergencies, or saving for retirement, taking steps now can help us achieve our financial goals. This article provides practical tips to help you get your finances in shape for the rest of the year, including knowing your net worth, planning for hardships, creating a debt repayment plan, saving for retirement, and reviewing your estate. Here are some tips to get your finances in tip-top shape for 2023.

Know Your Net Worth

The first step to improving your finances in 2023 is to create a snapshot of your current financial situation. So note all your assets, then subtract all your liabilities (what you owe others) to calculate your net worth. When done on a regular basis, you will be able to evaluate changes to your financial status and identify steps to reach your financial goals.

Plan for Hardships

If the pandemic has taught us anything, it's to plan for the unexpected. Now is the time to prepare by building an emergency fund that covers six or more months of expenses.

Prepare for a Lower Refund

The 2021 tax year saw increases to the child tax credit and the dependent care credit, resulting in a big jump in tax refunds for many taxpayers. These changes, however, were not extended to 2022. If you plan to take

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> ” Build an emergency fund to prepare for unexpected expenses.

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advantage of either of these two credits on your 2022 tax return, be prepared for a possible decrease in your refund.

Create a Debt Repayment Plan

Design a plan to pay off your existing debts and try to avoid taking on any new debt. Pay special attention to credit card debt, as inflation is vastly increasing the cost of this debt every month! Also consider whether consolidating your debt is a good option for you.

Save for Retirement

Plan for your future self by building your retirement fund. In 2023 you can contribute up to $22,500 in your 401(k), plus another $7,500 if you're 50 or older. Keep in mind your company may provide matching contributions up to a stated percentage of compensation. And you may be able to supplement this account with contributions to IRAs and/or other qualified plans.

Review and Re-Balance Your Portfolio

Review your investments periodically and reallocate funds to reflect your main objectives, risk tolerance, and other personal preferences. This will put you in a better position to handle the ups and downs of the markets.

Set a Date to Review Your Estate

Review your estate and legal documents at least once a year, in addition to whenever you experience a significant change in your life. Now is a good time to review your will, trust documents, beneficiary designations, powers of attorney, healthcare directives, and other estate- and legal-related documents.

By following these tips, you can get your finances in shape for 2023 and beyond. Remember, small steps taken consistently can lead to significant progress over time. So take control of your finances today, and watch as your financial health improves and your goals become more achievable.

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TAKEAWAYS

- Calculate your net worth regularly to track your financial progress.
- Build an emergency fund to prepare for unexpected expenses.
- Save for retirement by contributing to your 401(k) and/or IRA, and regularly review and reallocate your investments.

5 Strategies to Boost Web Traffic

You built a new website: Great! Now what? The next step is to build awareness and generate traffic to it. There are many ways to do this— most of which are free. You also don't have to limit yourself to just one option. By implementing these website marketing strategies now, your business will reap the rewards later.

1. Submit Your URL to Google

Best for: Every new website

Upon launching your site, submit your URL to Google. This initial step will help Google recognize your site on-line more quickly than if you were to wait for Google to find your site on its own, which can take months. When you submit your site, Google indexes your website, which enables it to consider your site as a potential result in relevant search queries. It's also free and easy to do, so there's no reason not to give your site the chance to be found in search faster.

2. Create a Google My Business Account

Best for: Businesses with a physical address

When a user searches Google for a local business, whether that's a restaurant, salon, or paving company, Google will display local search listings before all other search results. For your business to land within these search results, you need to create your own free Google My Business (GMB) account. There, you can also provide details about your business, such as location, hours, photos, and reviews, serving as a free local marketing tool for your business.

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3. Display Your Website on Printed Materials

Best for: Businesses that use printed marketing materials (e.g., business cards or menus)

Marketing materials, whether business cards, signage, postcards, or anything else you put your business name and logo on, should also include your web address.

This will help build awareness and generate traffic to your site. There are also ways you can get creative about this. For example, a bar could include its URL on coasters and invite patrons to vote for the next brew of the month, and then release that beverage at a promotional discount.

4. Keep Your Site Up-to-date

Best for: All businesses

Keeping your website content updated does two major things to keep your site marketable. First, it eliminates outdated information and keeps your site information accurate. Second, sites that are updated frequently are often considered to have better search results. Search engines assume that up-to-date sites are more relevant and accurate, which in return, helps your site rank higher in search results. This includes updating your web pages, but also blog posts have the same effect. It doesn't mean you need to update your site daily. What you need to do is to make sure you refresh old blog content that has become outdated.

Furthermore, ensure all web pages continue to include accurate information, from your contact information and hours to your services, locations and pricing.

5. Ensure Your Site Is Mobile optimized

Best for: Businesses that haven't designed their site for mobile

Over half of all Google searches are performed on mobile devices. As a result, Google factors in whether or not a site is mobile-friendly to determine search rankings. In order to not only rank in search, but to serve those users on mobile, it's important that your website looks good and works well on a phone. This does not mean simply choosing a fully responsive website theme or template, but customizing your site so it provides a good user experience from any device type. If you are looking for help in optimizing your website, our team can help!

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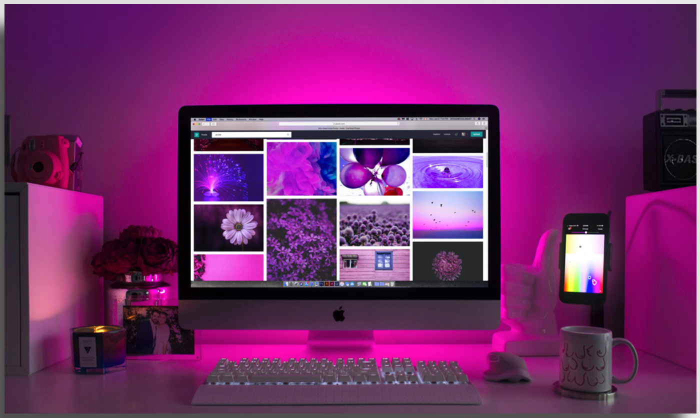
" By implementing these website marketing strategies now, your business will reap the rewards



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ACCREDITED BUSINESS

BBB Rating: A+

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