



FINANCIAL OVERSIGHT



CFO Support



Finance Life Cycle



Financial & Accounting Roles



Operational Structure



Internal Controls Matrix



Tax Compliance Support



STRAWBRIDGE CFO
CONSULTING GROUP

CFO SUPPORT



The fractional CFO can help a business thrive along all stages of growth. At the core of any business success is to set up your internal systems, external relationships, and processes properly from the beginning. Then, especially at early stages, you can hire your external specialists (accountant, lawyers, and bankers) as part-time support at a fraction of the cost for full-time support. Below represents a roadmap for financial success by headcount and general business staging.

Headcount	Business Stage	Financial Focus	Typical Roles	Outsourced vs In-House	Factional CFO
1-15 People	Startup / Seed	Simple bookkeeping, basic financial tracking	Bookkeeper	Outsourced (or part-time in-house)	Possible
15-30 People	Early Growth / Pre-Series A	Growth management, budgeting, preparing for fundraising	Bookkeeper, Controller, part-time CFO	Outsourced or Hybrid (mix)	Yes
30-50 People	Series A / Scaling	Structured financial oversight, regular reporting	Bookkeeper, Controller, fractional CFO	Mostly In-House with some Outsourced CFO services	Yes
50+ People	Series B / Expansion	Complex financial strategy, capital raising, scaling	CFO, Controller, FP&A, Bookkeeper	In-House (CFO), outsource FP&A, could still outsource for specific services (e.g., audit)	Yes
100+ People	Series C or Later / Maturity/Exit	Strategic planning, preparing for exit or acquisition	CFO, full financial team	Fully In-House financial team	Possible

FINANCE LIFE CYCLE AND LEVEL OF SERVICE ENGAGEMENT



Investing in an operational team to meet your corporate governance needs is key in every stage of the finance life cycle.

A company should utilize accountants, lawyers, and investment advisors for governance at a fraction of the cost of in-house expertise as they make their way through the life cycle.

This shows the level of service engagement for CFO services, Advisory services, Operational services, and Accounting & Tax services across the different business life cycle stages. Each curve represents how the demand for these services changes from Startup to Transition.

Service Type	Startup	Growth	Maturity	Expansion	Transition
CFO Services	1/10	5/10	9/10	7/10	6/10
Advisory Services	3/10	8/10	7/10	8/10	7/10
Operational Services	2/10	7/10	9/10	8/10	7/10
Accounting & Tax Services	4/10	6/10	9/10	8/10	8/10

Business Life Cycle Stage	Funding Stage
Startup	Seed
Growth	Pre-Series A
Maturity	Series A
Expansion	Series B
Transition	Later Stage (Exit/Transition)



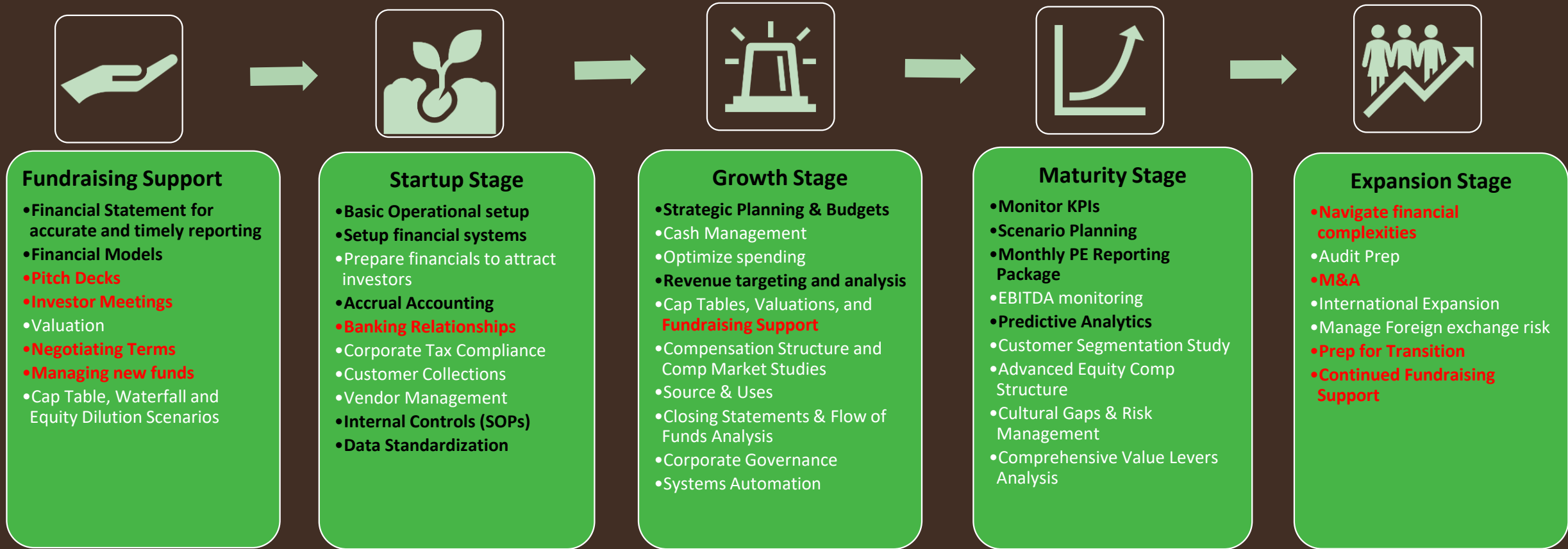
FINANCE LIFE CYCLE

LIST OF SERVICES ENGAGED

- Core Business Process Optimization
- Story Telling Support
- Operational Challenge Support



What type of Service Support do you need at each stage of your business?

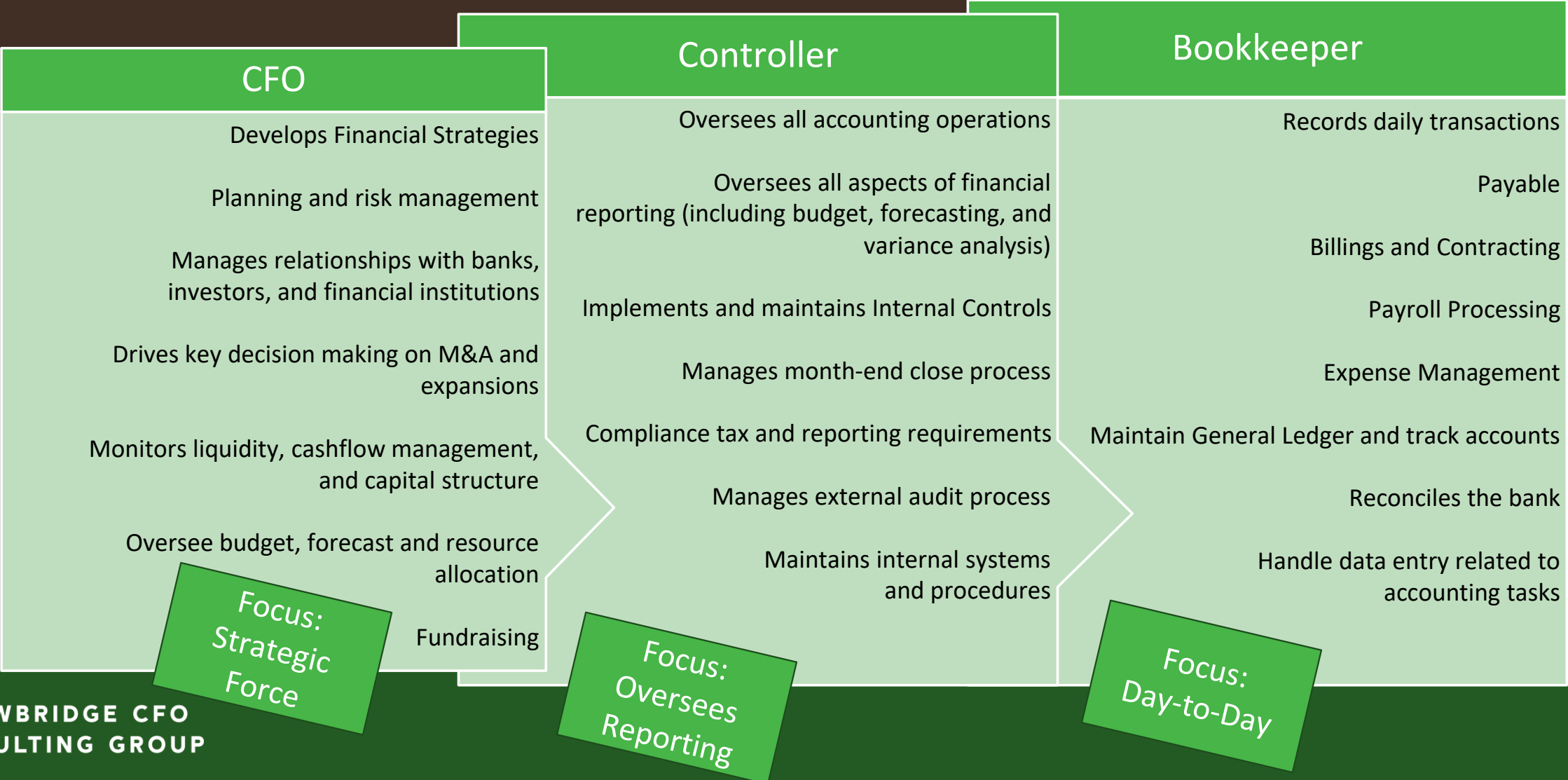


FINANCIAL AND ACCOUNTING ROLES



There are three main roles to be played on the responsibilities pyramid as you scale:

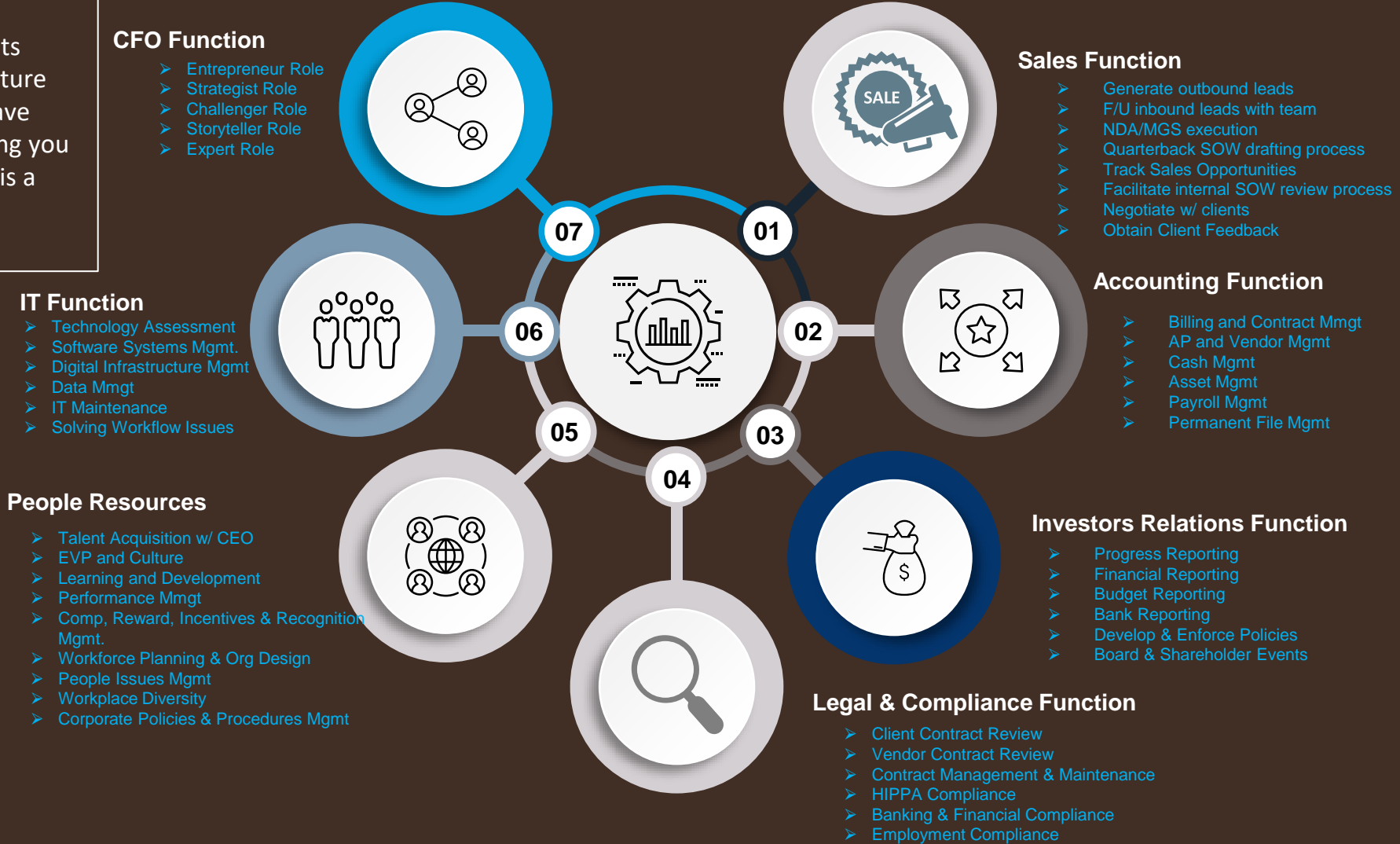
- ❖ Bookkeepers – focus on daily transactional work and record-keeping
- ❖ Controllers – oversee the accuracy of financial reporting, compliance, and manage staff
- ❖ CFOs – develop strategies, oversees financial risk and works with C-suite on high-level business decisions



OPERATIONAL STRUCTURE



As a business enters both the growth & mature stages, department function build outs become the key for infrastructure investments. This way you have function areas in place allowing you to expand and acquire. Here is a sample functional map for a consulting business.



Definitions:

EVP – Employee Value Proposition

SOW – Statement of Work

AP – Accounts Payable

Mgmt - Management



INTERNAL CONTROLS MATRIX

1. ****Segregation of Duties****: Ensure that **no single employee has control over all aspects of a financial transaction**. For example, the person who approves payments should not be the same person who reconciles bank statements. This creates checks and balances, making it harder for fraud to go undetected.

2. ****Access Controls****: Limit access to sensitive financial systems and data to authorized personnel only. **Implement strict user permissions** for systems that handle financial transactions to minimize exposure to fraud.

3. ****Dual Authorization for Payments****: **Require two or more individuals to approve** significant payments, especially wire transfers, to prevent a single person from initiating unauthorized transactions.

6. ****Monitoring of Cash Flow****: **Establish clear protocols for monitoring cash flow** and use accounting software that flags unusual patterns in transactions, such as large withdrawals or payments to unknown vendors.

5. ****Reconciliation of Accounts****: **Reconcile** bank statements, accounts receivable, and payable **regularly** to ensure that all transactions are legitimate and accounted for. Discrepancies should be investigated immediately.

4. ****Regular Financial Statement Review****: **Conduct regular variance analysis of the budget vs actual along with prior vs actual with the CEO each month end close**. In addition, there should be a preparer and a reviewer for each month's financial production.

7. ****Vendor Management****: **Regularly vet and review all vendors** to ensure that they are legitimate and that payments to them are for actual goods and services.

8. ****Bank Account Reconciliation****: Have **someone independent of cash disbursement and collection functions reconcile the bank** accounts regularly to detect unauthorized transactions or discrepancies early.

9. ****Rotate Job Responsibilities****: **Rotating roles or requiring employees to take vacations** can help uncover fraud that someone might otherwise hide by having continuous control over a process.



TAX COMPLIANCE SUPPORT

Cleaning up missed tax deadlines and tax reporting requirements can be not only very costly, but also extremely time intensive to work through corrections with tax agencies.

It is important to establish a good team early as your company begins to grow. We strongly encourage the following:

- ❖ Hire a tax firm or individual tax accountant that can get your **forms filed and submitted timely and accurately**
- ❖ **Seek out tax experts within your specific industry.** Similar to getting a medical surgery, ask how many procedures they have performed and do they have experience in which states.
- ❖ **Ask about tax credits** that are specific to startup business such as the Qualified Small Business Stock (QSBS) Exemption, R&D Credits, and Startup Cost Deductions (IRC Section 195) to name a few.
- ❖ **Ensure your corporate structure is** setup for not only growth, but **positioned properly** as either a S-corp, C-corp, or LLC taxed as a partnership based on your growth plans. There can be substantial tax savings to owners based on the structure.
- ❖ **Sale Tax nexus is tailored and almost different for each state.** Ensure you review the nexus requirements not only if you have a physical presence in a state, but do you have significant economic activity. CA, NY and others are very aggressive to get their money. Sale Tax can be a filing nightmare if not completed correctly.

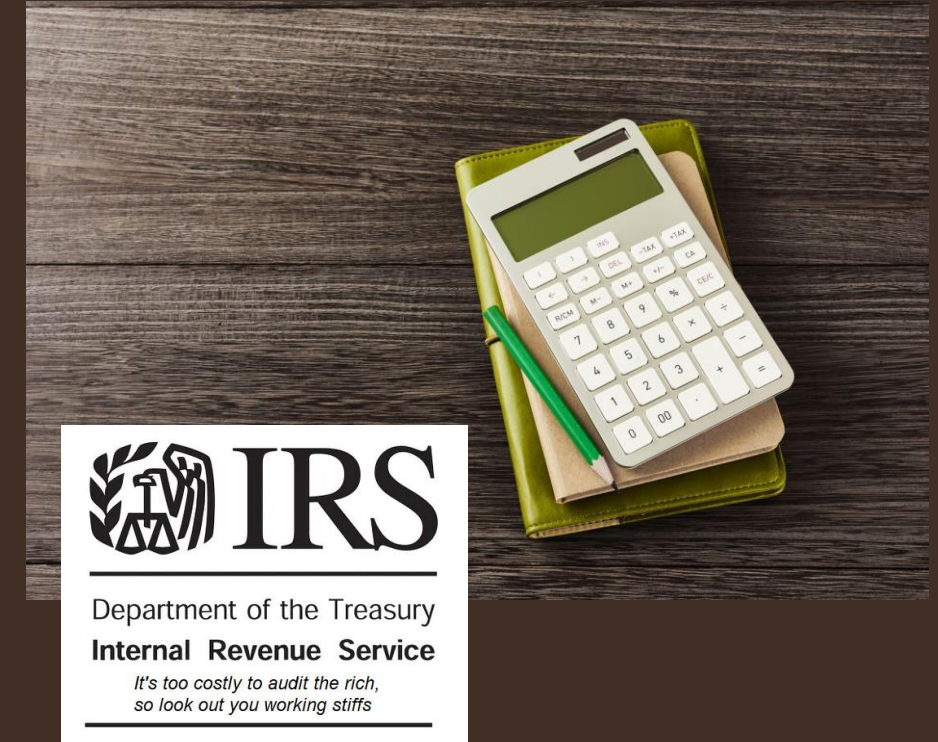


TAX COMPLIANCE SUPPORT (CONTINUED)



Payroll Processing Tax Issues to look out for:

- ❖ In addition, HR experts should be consulted for paying people in the proper states and proper payroll tax filings. ADP can help setup states for \$150 per state so you don't have to complete the paperwork or phone calls. They can also ensure quarterly filings, power of attorneys, and annual payroll tax filings are completed timely and correspondence with each state.
- ❖ Payroll taxes over a certain \$ threshold will have to be deposited by wire the next day to IRS. If not in compliance, the business will get fined for late filing and assessed penalties. This usually triggers when a company is above 40 people.



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