

Alleged: How “Non-GAAP” Accounting Analysis Helped Bring Down Par Funding

Mar 11, 2026 by [Milton Allimadi](#)

When federal regulators shut down Complete Business Solutions Group (CBSG)—better known as Par Funding—in 2020, the government described the fast-growing merchant cash advance company as a classic Ponzi scheme.

The company’s lawyers say a disputed non-GAAP accounting method used to evaluate its profitability sealed its fate.

Lawyers for the company say the difference between those two interpretations is the difference between a thriving financial firm and one forced into liquidation.

At the center of that dispute is a clash between two accounting analyses and the decisions made by the court-appointed receiver who took control of the company.

Par Funding operated in the merchant cash advance (MCA) industry, a sector that has grown rapidly over the past two decades as traditional banks tightened lending standards for small businesses.

Unlike conventional loans, merchant cash advances are not structured as debt. Instead, companies advance money to small businesses in exchange for a negotiated portion of their future receivables—typically collected daily or weekly from credit-card transactions or bank accounts. Because the advances are short-term and carry higher costs than bank loans.

Industry estimates suggest there are roughly 5,000 merchant cash advance companies operating in the United States, collectively advancing about \$24 billion in funding in 2023 alone.

Par Funding was a relatively small company but rapidly expanding. From its founding until mid-2020, the company advanced over \$1.35 billion to small businesses.

Those advances were repaid over time through automated clearing house (ACH) withdrawals from merchants' accounts—a standard mechanism in the industry.

The story of Par Funding's collapse began not with regulators but with disputes between the company and some of the merchants. According to attorneys representing CBSG, a group of merchants joined forces with a lawyer and began challenging the enforceability of the advances in court. The strategy, company lawyers say, was simple: argue that the agreements were unlawful loans rather than purchases of receivables, thereby avoiding repayment.

Eventually, regulators became involved and in July 2020, the Securities and Exchange Commission filed a civil enforcement action alleging that Par Funding and its founder, [Joseph LaForte](#), had defrauded investors. A federal judge placed the company into receivership and appointed attorney Ryan K. Stumphauzer to take control of the business.



Receiver Ryan K. Stumphauzer. Photo: sknlaw.com

[Receiverships](#) are often intended to stabilize companies and preserve value for investors while legal disputes play out. In Par Funding's case, company lawyers say the receivership quickly moved in a different direction.

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The Shutdown

One of the receiver's first actions was to halt the company's automated payment system. For roughly two months after the receivership began, the company's ACH system—the mechanism through which merchants repaid their advances—was turned off.

That decision effectively stopped the daily stream of repayments that formed the core of Par Funding's revenue.

Even so, over time the receivership eventually collected hundreds of millions of dollars in merchant payments.

Lawyers for the company say that continuing flow of repayments alone undermines the claim that the business was fraudulent.

"A Ponzi scheme has no real underlying revenue," said Ian Healy, an attorney for Par Funding, in an earlier interview.

The turning point for Par Funding came when the receiver hired a Chicago-based restructuring firm, Development Specialists, Inc. (DSI), to analyze the company's finances.

DSI concluded that Par Funding was effectively operating as a Ponzi scheme because it appeared to be unprofitable and therefore dependent on new investor funds to pay earlier investors.

That conclusion proved devastating. Once the Ponzi-scheme characterization was inserted into the case, the company's reputation went south.

But Par Funding's lawyers say the analysis behind that conclusion was fundamentally flawed. Another accounting firm, Miami-based Berkowitz Pollack Brant Advisers, reached a very different conclusion.

In an April 15, 2021 declaration submitted to the court, forensic accounting specialist Joel D. Glick, a director at the firm, sharply criticized the methodology used by DSI.

"DSI erroneously alleged CBSG was a Ponzi Scheme," the declaration states.

Glick's analysis examined financial records from 2012 through 2019, including QuickBooks data, bank accounts, and ACH payment streams.

The review concluded that cash flows from merchants were sufficient to cover principal and interest payments made to investors.

In other words, the business generated real revenue from merchant repayments—something that true Ponzi schemes lack.

The disagreement between the two accounting firms centered on a technical but crucial question: how profitability should be measured.

According to the Glick declaration, DSI relied primarily on cash-flow analysis—comparing the money coming into the company with the money going out.

But that approach, Glick argued, is not the correct way to determine profitability under Generally Accepted Accounting Principles (GAAP), the standard framework used in U.S. financial reporting.

“DSI's use of a cash analysis as a proxy for profitability or earnings disregards U.S. Generally Accepted Accounting Principles,” the declaration states.

Under GAAP, companies typically use accrual accounting, which matches revenues with the expenses incurred to generate them during the same accounting period.

“The accrual basis results in a more accurate financial picture over the long run,” the declaration states.

Using that methodology, Glick concluded that Par Funding was profitable, generating hundreds of millions of dollars in revenue that he said were not properly accounted for in DSI's analysis.

The declaration also points to statements made by the receiver himself during an early status conference in the case.

During a Dec. 15, 2020 video conference, the receiver acknowledged that cash-flow analysis and profitability are not the same thing.

“Now I shall be careful in saying that this is an analysis of cash in and cash out, which is not the same as profit,” Stumphauzer said, according to a transcript cited in the declaration.

He added that cash flow could serve as a “proxy” or “measuring stick,” but again emphasized that it was different from profit.

Glick disputed that characterization.

“While an analysis of cash flows has its use, it is neither a good proxy nor a measure of profitability,” the declaration states.

The Berkowitz Pollack Brant analysis also criticized the scope of DSI’s review.

Rather than analyzing the entire merchant portfolio, the declaration says, DSI focused on a subset of accounts it labeled an “Exception Portfolio.”

From that sample, the firm extrapolated conclusions about roughly 3,900 merchants.

“This led to an incorrect analysis,” the declaration states. The report also criticized assumptions DSI made about a practice known as “reloads,” in which merchants take new advances before fully repaying previous ones.

DSI suggested that a high percentage of reloads could indicate financial distress among merchants.

But Glick’s declaration says that conclusion lacked supporting industry data. “DSI suggests without support that a certain percentage of ‘reloads’ is excessive,” the declaration states.

The Receivership’s Financial Record

Since the company entered receivership in 2020, the court-supervised process has continued collecting payments from merchants and distributing funds to investors.

According to the most recent filings, investors have received approximately \$196 million in repayments as of early 2026.

The company's accounts also reportedly hold about \$15 million in remaining funds. For Par Funding's attorneys, those numbers reinforce their argument that the company was not operating a Ponzi scheme.

In a typical Ponzi structure, earlier investors are paid with money from later investors because there is little or no real revenue.

But in Par Funding's case, lawyers say, the repayments came from merchants who had received cash advances.

"The continued collection of merchant receivables demonstrates that this was a functioning business," Healy said.

The receivership has also generated substantial professional fees. Court filings show that lawyers, consultants, and other professionals involved in the case have collected about \$30 million in fees and expenses since 2020, amounting to over 15% of the funds repaid to investors.

Par Funding's founder, LaForte, who is currently [serving a 15½-year federal prison sentence](#) after pleading guilty to fraud-related charges, has sharply criticized those costs.

Through his attorneys, LaForte has suggested that the receiver effectively acted as a "de facto prosecutor" by repeatedly filing motions opposing the company's legal arguments and billing millions of dollars for the filings.

"If the GAAP-based analysis had been used from the beginning," one attorney involved in the case said, "the narrative that this was a Ponzi scheme might never have taken hold."

Whether courts ultimately revisit that question remains uncertain.

For this article, Black Star News sent questions to both Ryan K. Stumphauer, the court-appointed receiver, and Scott Yale Bogen, a senior managing director at Development Specialists, Inc.

They were asked to respond to the criticisms raised in the Glick declaration, including the claim that DSI relied on a cash-flow methodology rather than GAAP-compliant accrual accounting.

They were also asked whether they continue to believe, as of 2026, that Par Funding operated as a Ponzi scheme.

Neither responded by the editorial deadline.

Earlier questions sent in February for a previous article also went unanswered.