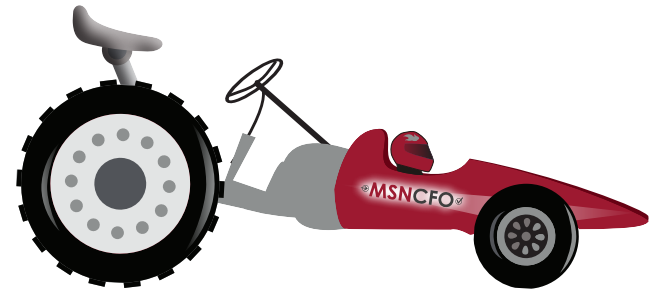


 **MSNCFO** 

IMPACT REPORT



Transforming financial management practices.

*Required analysis.
Reasoned action.
Results for clients.*

MSNCFO designs, builds, and implements financial management practices that increase business value.



INTRODUCTION

Mohamed Noohu

I am delighted to introduce the first MSNCFO Impact Report. This document synthesizes the main elements of our work in the business community for the past decade. Our work is a partnership with each client, where we strive to improve business performance and consequently the quality of life for business owners.

The past five years have been challenging for small businesses. The lack of sophistication in their finance and accounting departments has left them unprepared to cope with the crushing effects of the recession. MSNCFO has been able to step in and turnaround at least ten of those businesses. We address the pressures and emotional trauma brought on by difficult times with careful planning, reorganization, matching resources with uses, and developing and executing a road map for each business. The scope of this report covers about twenty of the clients we have worked with over the past decade.

Our work is to bring the financial discipline of big companies into small and medium sized businesses (annual revenue of \$30 million and under). Our work is threefold: a tactical role as an implementer able to handle and improve routines, data management, integration and productivity measures; a managerial role able to interact and work with multiple functions to set up relevant reports and metrics and analyze the data; and a strategic role able to understand the core of the business and design a roadmap.

The SME business community needs a higher level of management accounting work to unlock its inherent economic capabilities. The energy needed for statutory and conformance work can be exhausting, and leaves no room for high level understanding based on deep analysis. MSNCFO is able to organize the work into efficient routines and introduce the capability to produce meaningful financial and managerial insights. This drives businesses to knowledge-based action, resulting in profitability and cashflow improvements. Sustaining this process is the key to make once struggling business thriving, viable entities.

This report covers the salient parts of the value we create. Business turnarounds happen when organized and well informed action is taken. The work we do is collaborative; we work closely and interactively with our clients, ensuring that they learn how to do the work for themselves.



FIVE

MAIN AREAS OF IMPACT



1 We increase profits.



2 We build and improve relationships with lenders.



3 We strengthen decision making through data analysis.



4 We streamline business processes.



5 We mentor and train staff.

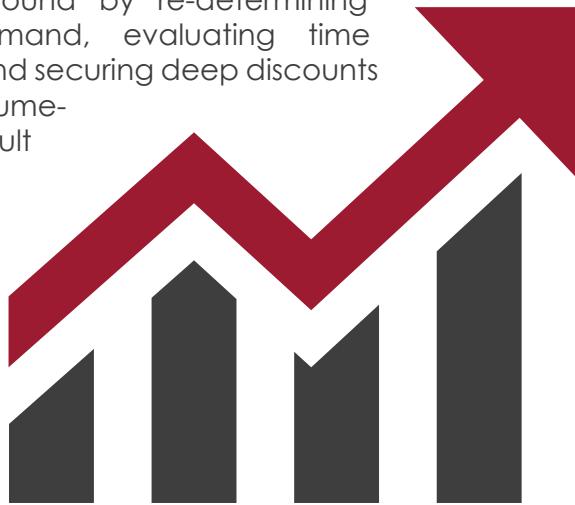
1 We increase profits.

Profits are increased by reducing operating costs, improving productivity, and increasing billable opportunities.

Anomalies in the relationships between revenues and costs reveal possibilities for change. Analyzing and comparing business costs often reveal opportunities for reduction and increased efficiency. For example, negotiations with lenders, reduced input needs, and increased cycle time are good ways to streamline business practices and increase profits.

Profits are typically made in two ways- through total sales minus costs and through the number of turns in the working capital cycle. The latter, the velocity of money, is often ignored. The latter is often ignored, but when analyzed and improved upon, can produce an increase in profitability. It's important to derive benefits and balance from both types of opportunity.

By studying pricing in great detail, opportunities for additional profits can be found by re-determining supply and demand, evaluating time sensitive needs, and securing deep discounts to garner high volume- all of which result in a lower cost of production. Constant review and application of the 80/20 rule keeps a business on top of rising costs.



Mid-Sized Wholesale Food Distributor



Mid-Sized Transportation Company

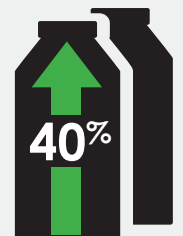
Profits increased by 25% in one year due to internal savings and adjustments.

Small Contract Manufacturer

Profitability increased by 30% over a six-month period due to cost-reductions and resource planning.

Mid-Sized Food Distributor

Discovered purchase and trade discounts that were not being obtained due to lack of conformity to supplier terms. Inventory cycle was improved by identifying delays. All this delivered over 40% improvement to gross margins within six months.



“ MSNCFO helps me to be more disciplined in addressing financial issues. Mohamed taught me the importance of always negotiating strongly... and has kept me focused on strategies for improving sales and cultivating new customers.”

- Business Owner, Small Retailer

2 We build and improve relationships with lenders.

All lenders impose information and performance requirements on business that borrow from them. Beginning at the negotiation or renewal stage, it's important to understand the suitability of the loan terms, covenants, and other measures that banks impose. This information can then be produced in the lender-prescribed manner, and questions can be answered swiftly and deftly.

There are significant benefits to the presence of an outside CFO in these relationships. The lender has a go-to person to communicate with. The CFO communicates with the lender periodically, interpreting business results and shaping the ongoing conversation. Outside CFOs also have established relationships with various lenders, a valuable resource for companies with industry-specific needs.

Constant communication and clear information strengthens a lender's confidence in a business. By consistently doing this, a business sets itself apart in the lender's eyes and, in times of stress or emergency, this qualitative factor comes into play.



ANNUAL INTEREST COST

A graphic showing a red arrow pointing from left to right. The arrow starts at '\$62K' on the left and ends at '\$30K' on the right. Above the arrow, there are several airplane icons in red and black. The text 'ANNUAL INTEREST COST' is at the top in red.

Mid-Sized Aerospace Company **\$30K**

Annual interest costs reduced from \$62,000 to less than \$30,000 based on a combination of negotiated interest rates and improved efficiency in the cash cycle, a 50% drop in a one year period.

Mid-Sized Aerospace Company

This company was unable to clearly explain its intellectual property work-in-progress to a lender. We streamlined financial reporting processes and provided the lender with relevant information to their satisfaction, resulting in a line of credit and equipment loan.

Mid-sized Glass and Mirror Manufacturer

Lending costs reduced by 30% over a period of one year due to negotiated reduced rates and improved management of the cash cycle.

A graphic showing a black rocket launching upwards. The rocket has a white dollar sign (\$) on its side and red flames coming out of its engines. The text 'Mid-Sized Digital Media Services Company' is to the right of the rocket.

Mid-Sized Digital Media Services Company

Improving the velocity of money eliminated over 30% of bank interest costs over a period of one year, increasing profits by reducing the amount that is borrowed.

“ MSNCFO was engaged to upgrade our CFO function and coach our CFO to grow into a more strategic role. He coached on financial information preparation and presentation to senior management, bankers, and CPAs. He focused on setting up planning and forecasting capabilities and robust routines, electronic accounting, and training.”

- Mark Cave, Finalist, Ernst & Young
Entrepreneur of the Year 2009,
Greater Los Angeles

3

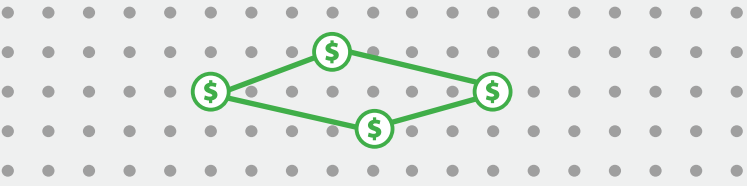
We strengthen high-level decision making through data analysis.

Most small business, unlike large businesses, do not derive strategic or managerial value from the accounting function. Compliance reporting is the overwhelming responsibility, and often, that takes up so much time that there is little left over for observation and analysis.

By improving the quality and use of financial reporting, companies can shift from compliance to goal-orientation (strategic planning). Management bandwidth can be added through strategic, managerial, and operational work, increasing the quality of decision making.

Data analysis allows decision-makers to identify and prevent issues, as well as discover opportunities for growth. Accounting work is usually separated into two categories, financial accounting and management accounting. The former is compliance oriented, for CPAs, lenders, and outside stakeholders. Management accounting seeks to understand and drive business performance. For this part of the work, a team needs to dissect financial reports to produce insights on gross margins, direct costs, resource costs, etc. and present the data in a dashboard of metrics that are penetrative and prescriptive.

These metrics illuminate inherent problems and missed opportunities, while allowing the company to predict and act, rather than to react. Over time, this shifts the company to a forward-thinking outlook, implementing actions based on sound knowledge.



Mid-Sized Aerospace Company

Revenues doubled over a period of three years by acting upon identified weaknesses and opportunities- including gaps in client pricing and reductions in resource costs- discovered by developing and analyzing daily metrics.

Small Retailer

Profits increased by 30% over six months due to the introduction of a performance-based sales incentive plan and more efficient reporting produced from relevant daily metrics.



Small Spa & Health Retreat Servicer

Over a period of three months, new management accounting concepts created a deeper understanding of business workings. Data analysis revealed opportunities for savings resulting in a 10% increase in profits and labor utilization was improved by a factor of 2.4.

“ Mohamed has the unique capacity to focus on both day-to-day operation details and on the big picture. He has reorganized the company's financial matters, so that the company runs much more smoothly, and he has been instrumental in helping to devise strategic plans for our future.”

- H. Keith Massel, PhD, BCBA

4

We streamline business processes.

Most business owners experience a great deal of stress. Their anxiety stems from a sense of urgency and uncertainty. A clear understanding of business operations improves the quality of life for a business owner. Restructuring the internal organization of a company to create better interdepartmental interaction will not only increase efficiency, it will boost overall morale!

Businesses often work with a silo mentality, and interdepartmental communication is routine. Recording and reporting are usually behind by one to two months and relevant reports are minimally produced or discussed. This is a major growth-inhibitor, as timely reports are essential to discovering and discussing business issues.

The first step is to do a "business health checkup", to understand the current situation and look for any weaknesses, issues, or opportunities. Then, sustainable systems must be introduced and staff trained with a focus on consistent implementation. Time is allotted for correction and proactive or preventive action, and responsibility needs to be clearly delegated, producing synergy in the company.

By creating a sense of accountability and sharing the responsibilities, a business owner can alleviate stress and create a strong, efficient team. What used to be non-important and backlogged is now streamlined and beneficial, and team members understand the relationship between their work and the company's success, creating a focused and value-driven work environment in which the business owner has peace of mind.



"After MSNCFO's input, I have a sense of my company's areas of improvement and **how to solve them.**"

Rated 4 on a scale of 1-5

Mid-Sized Retailer

Reduced financial cycle by ten days and holding inventory days by 50% over a one year period by training three staff members in better accounting procedures and reporting.



"After MSNCFOs input, my company has a **better sense of direction.**"

Rated 4 on a scale of 1-5

Mid-Sized Furniture Rental Company

Accounts Receivable collections improved by 60% in 6 months by training staff in better procedures.



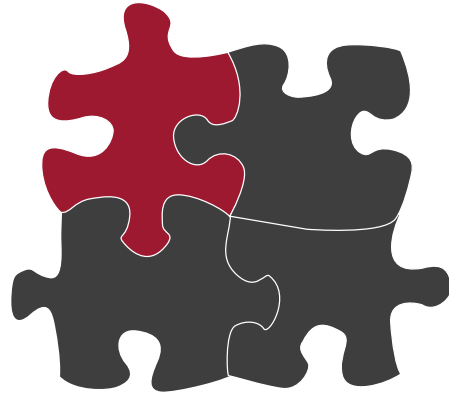
“ “ As a business owner, one tends to get wrapped up in the day-to-day responsibility of running a business... you become more reactive than proactive. MSNCFO's contributions include understanding our business and systems, but more importantly, helped our people develop a new attitude and culture within our business. Everyone had been isolated within their own cubicles/job responsibilities and didn't see how all the parts worked together. Mohamed initiated a plan that reinvigorated a culture that promoted team experience and responsibility... His experience provided access to better ways of looking at our company as well as the resources to reach out and seek new relationships with our current vendors, as well as finding new cost effective alternatives.”

- John Bamberger, COO

5

We mentor and train staff to think “big picture.”

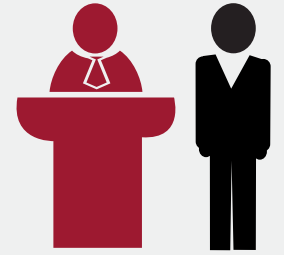
It is vital for the health of a company to develop strong, sustainable systems and have a team-oriented approach to implementation. The whole team can be taught to think “big picture” by explaining to them the purpose of business processes and describing the end result of accounting work in the decision-making process. When an outside coach comes in, the internal team works interactively to learn new systems and processes, and identify the areas, if any, in which outside expertise will continue to prove necessary. Periodic review of work and incorporating feedback from staff sets up a growth mindset and a healthy collaboration.



As a business grows, transactions increase in number. More often than not, the accounting staff gets caught up in tedious work of recording and fails to be analytical or inquisitive, rendering them incapable of adding significant value to the business. Once business processes are laid out and their interconnections are revealed, it becomes easy to see where changes can be made. Electronic data entry has to be introduced between systems and software, reducing time spent on mundane tasks and allowing the accounting staff to observe patterns, opportunities for growth, and areas of improvement.

Mid-Sized Digital Media Services Company

Coached the CFO of this growing company on how to present information to the board. Over a period of six months, reporting cycle time reduced by 50%.



Small Mortgage/Finance Lender

Financial report cycle time was reduced from twenty days to four days over a period of six months by building new business processes from the ground up.



Mid-Sized Importer

Costs were reduced by an average of 40% in four different areas where opportunities for savings were identified, and financial reporting cycles were reduced to five days after month end.



Small Behavioral Analysis Servicer

Billings increased by 30% when an analysis of revenue generating methods revealed mismatches in employee understanding of payroll hours, scheduling, and client contract hours.

HAS POSITIVELY IMPACTED CLIENTS IN THESE INDUSTRIES:

Distribution

- Electronics
- Frozen Foods
- Gems & Jewelry
- Imported Foods
- Retail
- Wholesale

Import/Export

Manufacturing

- Electrical Parts
- Glass & Mirrors
- Light Engineering
- Nutrition
- Snack Foods

Mortgage

Non Profit

Services

- Health
- Engineering
- Storage
- Construction & Remodeling
- Payroll
- Insurance
- Media

Transportation

- Emergency Medical Services
- Freight Forwarding
- Limousines
- Non-Emergency Medical Services



(818) 581-2873
www.MSNCFO.com