This book is fabulous! The content is easy to read and understand and is very useful for anyone in the moving and storage industry. I can't wait to share it with my leadership team!

VIRGINIA BLAINE, OWNER, CONTINENTAL VAN LINES, INC.

60 MINUTE CFO

THE FAST TRACK TO UNDERSTANDING FINANCE FOR MOVERS

DAVID A. DURYEE

Table of Contents

INTRODUCTION

Keep it simple is the over-riding goal of this book. If you are new to business finance you might see its totality as somewhat overwhelming, but it is not if you take it one step at a time. This book explains business finance in words that anyone with a non-financial background can understand. If there is one sentence or paragraph in this book that you do not completely understand, please email me, and I will attempt to explain it better.

Most important, don't try to understand all of this book at one time. Please take it one step at a time. Use the software tools available to you on 60minutecfo.com to help you keep track of your financial condition every month. Give finance 60 minutes a month, a tiny fraction of the time available, and I promise you will quickly understand enough finance to run a successful business. Inch by inch, anything is a cinch!

The Journalist and commentator H.L. Mencken said that "for every complex problem, there is an answer that is clear, simple and wrong." That may be true, but business finance, taken one step at a time, is *not* a complex problem.

THE NEED FOR A COMMON LANGUAGE

What is needed is a common language that allows the business owner, banker, and CPA to communicate.

Business owners believe that if revenue and profit are healthy and growing, banks should be eager to provide the funds necessary to support their company's financial needs.

Bankers are concerned that business owners may not understand the difference between profit and cash flow and may overly rely on debt to support growth.

CPAs provide valuable information in the form of financial statements but often find it challenging to explain how to interpret them. They are described as "those that know the most about what is happening in a business but are the least able to do anything about it." This situation can quickly be resolved with a better understanding of what they can contribute.

This book, written by a former banker, small business owner, and principal in a CPA firm, bridges the communication gap between financial and non-financial executives. It provides a common language that all of these parties can use to help the business achieve financial success.

HOW TO USE THIS BOOK

Read the first four chapters and pause. It will take you no more than 60 minutes, *and you will know all you need to know about analyzing financial statements*. You will learn and understand the key business indicators that your banker and CPA use to evaluate your financial condition, and you will learn how to distinguish between cash flow versus profit.

Then download ***Move Mastery*** software from 60minutecfo.com and input your financial data every month. When you do that, refer back to the first four chapters to reinforce what the ratios are telling you about your financial strengths and areas that might need improvement. With repetition, the meaning of this data will become second nature to you. Also, be sure to involve your leadership team in this process to explain what you are trying to accomplish and how they can help you. Give it sixty minutes a month. Less than one percent of your time is all that is necessary!

In today's rapidly changing business environment, the business owner, banker, and CPA must understand each other and be on the same page. This book makes it happen. A Business degree is not required. All it takes is 60 minutes a month. Business finance, taken one step at a time, is something that everyone can understand, regardless of their education or background.

THREE STEPS TO UNDERSTANDING BUSINESS FINANCE

1. Look at a few *relationships* on your financial statements in addition to the *numbers*.
2. Understand the difference between *cash flow* and *profit*.
3. Forecast the financial relationships and cash flow to ensure you are moving in the right direction.

This book describes these three steps in simple terms, and the good news is several Excel-based workbooks accompany this book that will do all the calculations for you automatically. Download them at no charge from www.60minutecfo.com.

STEP ONE: UNDERSTANDING FINANCIAL RELATIONSHIPS

The relationships you need to look at are described in chapters one through three. Enter three prior years and then your monthly financial statements in the ***Move Mastery*** workbook and re-read those chapters every month to refresh your understanding of what those relationships measure. It will not be long before they are second nature to you. Sixty minutes a month is all it takes.

STEP TWO: UNDERSTANDING CASH FLOW

You pay your bills, your debts, and your employees with *cash*, not profit. Understanding cash flow is an essential aspect of business finance, *but not one number on your monthly financial statements pertains to cash flow*.

In 2015 I derived a formula for measuring operating cash flow, and I describe it in chapter four. This description of cash flow allows you to both measure and forecast it utilizing your in-house financial statements. Cash is KING, and the ability to measure it is essential.

STEP THREE: FORECASTING FINANCIAL STATEMENTS

Developing a forecast of your financial statements, cash flow, and financial health for the coming year is the next logical step once you have analyzed the past. Now it is time to venture beyond chapter four. Chapters seven through ten lead you step by step through the forecasting process.

Maybe two percent of business owners do any financial forecasting. After learning how to do it and using ***Move Mastery*** to do the calculations, you will join this elite group. It is more than worth the effort because lack of planning is one of the biggest single reasons for business failure.

TAKE IT TO THE BANK

Chapter thirteen brings this all together with tips on how to get what you ask for at the bank. The information about your company's financial history and future will include comparisons to the ratio averages for your industry (also available on the 60minuteCFO website).

It is virtually certain that no customer *in the history of the bank* has ever done this. In sixteen years as a banker, it never happened to me once. Your banker will be impressed, and they will likely provide your business the needed financial support. You will get what you ask for at the bank because you will not ask for something you cannot repay.

COMMUNICATE WITH YOUR CPA

Your CPA knows the most about your business's financial condition and has the least ability to do anything about it. This situation needs to change. Your CPA can be an essential member of your advisory team. Read chapter fourteen to discover how to maximize the benefit of this advisory relationship. This book describes the terms of GAAP (Generally Accepted Accounting Principles), which is your CPA's language.

ANALYSIS AND FORECASTING WORKBOOK

Move Mastery calculates cash flow and all the relationships automatically once you input your annual and monthly financial information. Ask your bookkeeper or controller to input your financial information, which is a cinch after customizing the workbook to match your financial statements.

Go over this information each month with your leadership team, who will then be in an excellent position to help you succeed. It is powerful when all your company's key leaders are pulling in the same direction, operating efficiently as a team, and knowing what success looks like. Running a successful business is never the result of one person; it is a team effort.

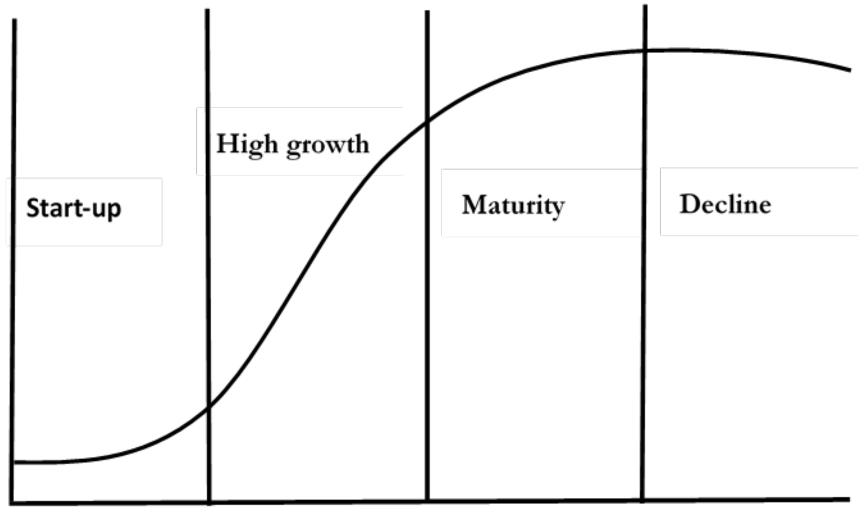
There are six useful workbooks available with this book. See Appendix VI for a description of the complimentary Excel-based workbooks available to download at www.60minutecfo.com.

THE PHASES OF A BUSINESS

Sound financial management of your business remains constant, but your economic and financial condition will change over time. It is worth a few moments to review the following four phases of a business:

1. Start-up
2. High growth
3. Maturity
4. Decline

The revenue growth curve of these phases is on the following page.



Identifying the phase you are in will give you a frame of reference as you apply the principles outlined in this book to your business.

PHASE 1: START-UP

Entrepreneurs who start businesses have a vision and are highly motivated to make it a reality. They do not, however, usually have much money or experience in running a business. This initial phase of the business has the following characteristics:

1. Lack of capital (equity)
2. Poor, or nonexistent, positive cash flow
3. Inexperienced management
4. Poor or nonexistent financial information

Start-up is a difficult phase. Stress is high, survival is always in question, and work expands well beyond an 8-hour day. We call this the "wonder" phase of business because most of the time, you wonder if you'll survive, and the rest of the time, you wonder why in the world you ever started the business in the first place. If you had known how hard and stressful it would be, you might not have attempted it.

Financial analysis and planning are critical in the wonder phase but is rarely done, primarily due to deficiencies three and four above. Forecasts for the first couple of years can help determine how much capital will ultimately be needed. If that amount is more than can be raised by hitting up relatives, mortgaging the house, and maxing out your credit cards, it would be wise to postpone the start-up.

A realistic forecast of cash flow is also essential. At best, borrowing from a bank in the start-up phase is difficult; it is basically impossible without projections.

Chapters seven through ten on planning are critical in the wonder phase, and chapter eleven explains how to calculate break-even revenue. Armed with break-even information, you can calculate how much you might lose before the business begins to generate a profit, and therefore, how much initial investment will be needed.

Move Mastery, an Excel-based workbook, is available to forecast financial statements, ***Business Break-even*** is available to calculate break-even and ***Business Equipment*** is available to determine the advisability of purchasing a vehicle or operating equipment. Download them from the 60 Minute CFO website, www.60minutecfo.com.

PHASE 2: HIGH GROWTH

Hard work, luck, and determination are often enough to get most businesses through the turmoil of the start-up phase and into the high-growth phase. Now things begin to get exciting. Revenue and profits begin to grow rapidly, and this phase has the following characteristics:

1. High growth in revenue and profit
2. Highly strained capital that may be insufficient to sustain the growth
3. Negative operating cash flow
4. Transition management requirements (from seat-of-the-pants to more formal)
5. Better and more complete financial information

While revenue and profit grow at a rapid rate, cash flow is usually not good at all. Chapter four and five explains why this is the case. Negative operating cash flow causes debt to grow to purchase the increased assets that are needed. Additional borrowing is ultimately declined, ironically at a time when the business is doing very well.

The owner is gaining much-needed experience on how to run a business but often has a hard time transitioning from seat-of-the-pants (SOP) style management to the more professional, structured approach that a rapidly growing business requires. Starting a business is fun and exciting but managing a business day-to-day is a lot harder.

Wrong things are done at the wrong time for the wrong reasons. This phase is called the "blunder" phase of business. It is in this phase that many companies fail. They collapse due to the combination of negative cash flow, excessive reliance on debt, and poor management.

That's the bad news. The good news is that you can avoid the problems you encounter in the blunder phase by applying the financial and management principles outlined in this book. They will help you successfully navigate the blunder phase and allow you to join the 15 to 20 percent of businesses that make it to the next phase of business. So keep reading; the solutions are here!

PHASE 3: MATURITY

Maturity is the phase of business that you envisioned when you started. The growth rate has slowed to a manageable pace, and now cash flow is nicely positive. You pay down debt and begin to enjoy the fruits of your sacrifice and hard work of the previous two phases. You join a prestigious country club, go to lovely places on vacation, trade-in the Chevy for a BMW, and pay yourself an excellent salary. You have arrived!

Typical characteristics of this phase are:

1. Strong capital (equity)
2. Solid profitability
3. Positive cash flow
4. Experienced and deep management
5. Timely and accurate financial information

You have survived when the great majority of start-ups fail, and you feel good about that. You have answers for most of the business world's problems and are happy to share them with others around the bar at the country club, even without being asked. You visit the bank with your hat firmly on your head instead of in your hands. You expect the red-carpet treatment, and you get it because the bank now needs you more than you need the bank. This is the "thunder" phase of business. Well, what the heck? You are successful, and you're entitled to thunder.

If you get to the thunder phase, the challenge is to *stay there*. This book will help you do that, but it is not as easy as it might seem. Growth is now more modest, and complacency and overconfidence become the norm. As owners age, they naturally become more conservative. The thunder phase of business is a great place to be, but it takes careful planning and diligence to *stay* there.

Chris Petersen, a successful Division I football coach, got it right when he said:

> *It's much harder to stay up near the top than to get there. These kids don't know that, but I do.*

If you follow the principles in this book, you will be better equipped and more likely to stay in the thunder phase of business. If I had known everything I know now when I was running my own business, I can tell you that I would have been more successful.

PHASE 4: DECLINE

Like the wonder and blunder phases, the decline phase is difficult. Owners are now well into their sixties, and age has become a partner in the business. The desire to take any significant risks is gone. Conservation of existing assets is the primary goal, and younger managers chafe at the status quo attitude that exists.

This phase of the business has the following characteristics:

1. Strong capital (equity)
2. Strong but declining cash flow
3. Solid but declining growth and profitability
4. Complacent, detached, status quo ownership
5. Adversity to risk

Competition now eats away at the company's market share as more aggressive firms grow at faster rates. Cash flow and net profit are good but declining. This phase of the business is called the "plunder" phase, and the company gradually declines. A business in this phase either continues to decline, or ownership can launch it into another high-growth blunder phase, which may be every bit as challenging as the first one.

Owners in the plunder phase should either sell the business or let the next generation take over, but this can be difficult and painful. No one wants to feel unneeded or outdated. Egos are a problem, but the business's ultimate health and survival depend on new and energetic management.

WHAT IS YOUR PHASE OF BUSINESS?

Think about the business phase that you are in as you read this book and put your financial information in that context. Many of your financial ratios won't look good in the wonder and blunder phases because you aren't well-established, but your goal to achieve financial strength should be constant and unwavering, and you need to know how financial strength looks.

You need to get to the thunder phase and then *stay* there, and with consistent planning and application of the principles outlined in this book, you will!

HIGH BUSINESS FAILURE RATE

Estimates vary, but the consensus is that 80 to 85 percent of all businesses that start fail within the first ten years. There are lots of reasons for this, but the most prevalent are:

1. Lack of planning
2. Poor leadership
3. Lack of financial understanding
4. Negative cash flow
5. Lack of a valuable product or service

Practicing the principles in this book will help you with the first four. Number five is a difficult problem, but it is rarely the cause of failure. The first four are.

BRIDGING THE COMMUNICATION GAP

This book bridges the financial communication gap that exists between business owners and their financial advisors. It explains in plain English the terms, concepts, and fundamentals of business finance so that business owners can communicate with their banker, CPA, bookkeeper, and CFO. All it takes is 60 minutes a month.

UNDERSTANDING FINANCE IS A JOURNEY, NOT A DESTINATION

Learning about business finance is not a destination. You are about to start on a journey. All you have is a canoe and a paddle, but it is a sturdy, well-built canoe. It will survive the fiercest of storms, and you will get stronger as you paddle. You might tire at some point and ask, “Are we there yet?” The answer will always be, “No, not yet.”

Take your time. Don’t rush this. The reality is that learning about how best to run a business is a *lifetime* journey. Just when you think you know it all, you will learn something new. It is fun and exciting, and, as a non-financial person, you will be surprised and pleased with how easy it will be.

SUMMARY

M*ove Mastery* is an Excel-based workbook that performs all the calculations discussed in this book. It is powerful because important concepts like cash flow and financial health are measured, analyzed, and forecasted.

With this software, you can observe past trends and then establish a forecast for your income statement, balance sheet, cash flow, and financial ratios. ***Move Mastery*** is designed to assist you in communicating with outside advisors such as your banker and CPA. Download it from www.60minutecfo.com and use it monthly to track your performance, communicate with your leadership team, and educate your banker.

Remember that learning about business finance is a journey, not a destination. The goal is not to be a financial expert but to know enough to communicate with your banker and CPA. This basic knowledge is your responsibility as the leader of your company. Take it one step at a time and always be thinking about what is new with your business and how that might affect you from a financial standpoint.

Keep this book handy and refer to it from time-to-time to refresh your memory. Repetition is the key, so be sure to input your financial statements every month.

The next chapter begins a discussion of the financial analysis process with a focus on the balance sheet.

Keep it simple, and keep on paddling!!