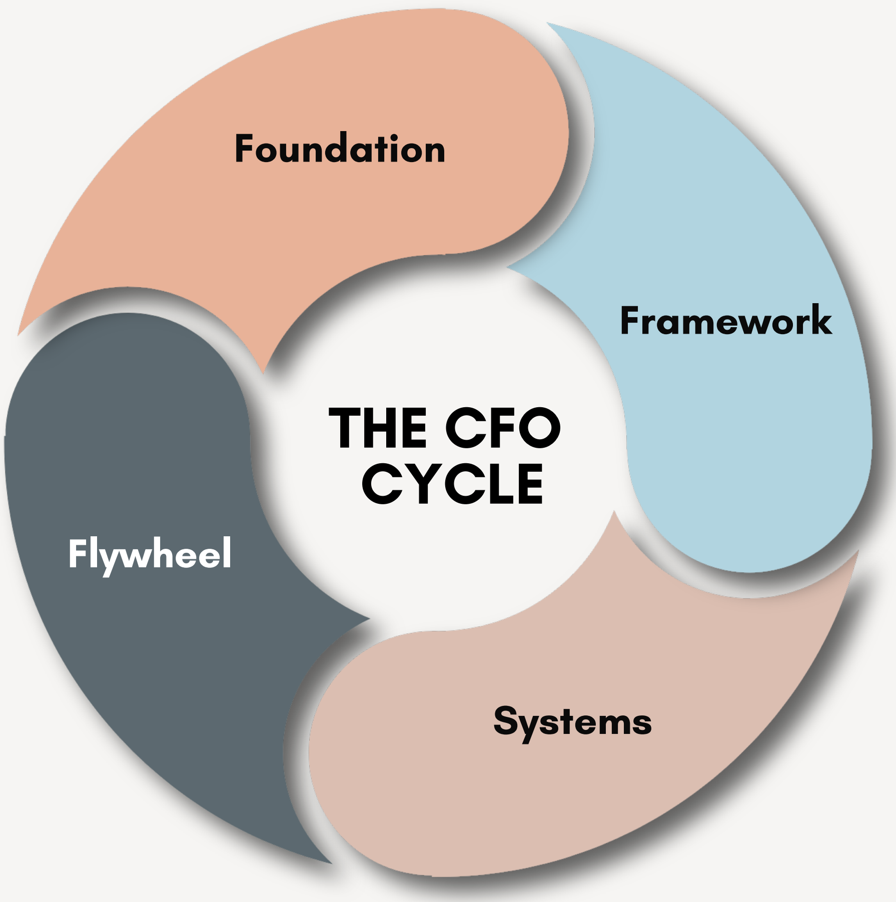
CORE SOLUTIONS
GROUP, INC.

CFO Cycle & Checklists



THE FOUNDATION

Warren Buffet famously said "Accounting is the language of business", we're here to break the language barrier.

Accounting and bookkeeping are the first steps in your financial journey and the most crucial. There is a lot you can learn from your numbers. Without up-to-date and accurate financials you can't measure what you can't see.

Start building your financial foundation:

	BOOKKEEPING & ACCOUNTING
	Implement systems ◦ Weekly transaction coding ◦ Cloud-based records management ◦ Payroll & benefits audits and management ◦ Monthly financial reporting **Ensure compliance**

The who, when, and how's of making strategic decisions is a key to success for all businesses.

When looking for a new accounting systems or partners the big question is WHO? Who can help my business scale? Who can keep up with the growth of my business? Who knows my industry and the financial quirks that come with it? Who will be the best fit for me and my team?

We have seen and heard it all! Click the link below for some considerations to think through when making this decision. We have also provided a thorough checklist to reference during your meeting with a potential provider.

If you don't have a bookkeeper or you're searching for a bookkeeper, here is a guide to find your right fit bookkeeper or accountant.

Download Our
How To Find A Bookkeeper Guide & Checklist

THE FOUNDATION

MONTHLY FINANCIAL REVIEW

What you should be looking at and interpreting monthly

P&L DECODED

1 Taxable Revenue

2 Tax Deductible Expenses

3 Taxable Profit/loss (not cash flow)

Law Firm, P.C.

Income Statement

Revenue		
Consult Fees	$20,000	
Contested Divorce	$132,000	
Guardianship	$20,000	
Adoption	$5,400	
Protective Orders	$19,600	
Enforcement	$3,000	
Total Revenue		$200,000
Expenses		
Direct Costs		
Merchant Fees	$2,700	
Client Advanced Costs	$4,200	
Total Direct Costs		$6,900
Marketing Expenses		
Google Ads	$6,000	
Facebook Ads	$6,000	
Marketing Contractors	$3,000	
Total Marketing Expense		$15,000
Team Expenses		
VA Expense	$7,500	
Office Manager Wages	$35,000	
Paralegal Wages	$42,000	
Attorney Wages	$60,000	
Payroll Taxes	$12,500	
Total Team Expenses		$157,000
Office Expenses		
Rent	$10,000	
Telephone & Internet	$2,000	
Supplies	$1,500	
Total Office Expenses		$13,500
Total Expenses		$192,400
Net Profit/Loss		$7,600

P&L DECODED	
1.) Taxable Revenue:	
	How do I generate revenue? Flat fee vs hourly Parallel services Subscription model Payment terms Profit margins

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2.) Tax Deductible Expenses:

Where is my money going?

- Fixed costs
  - Do I need/want it?
- Investments - ROI (return on investment) tracking
  - Systems (software/technology)
  - People
  - Marketing
  - Coaching
- Owner benefit
  - Tax strategy within your entity type
  - Determine priority - what's most advantageous or urgent?

3.) Taxable Profit/Loss:

- **Profit you pay taxes on**
  - Implement and upkeep a tax and legal strategy
    - If $60-$90k/year consider S Corp
    - If $100k+/year consider multi-entity
    - $500k+/year generational wealth
- **Profit is not the same as cash flow**
  - Know what you won't see (i.e. loan repayments, asset purchases, or delayed payments)
  - Manage cash using a different system (separate profits from cash)

P&L KPIs (key performance indicators):

- **Revenue**
  - Marginal profitability - profit after covering direct costs
  - Matter type contribution to total revenue - each service in it's own category
  - Seasonality of revenue and service areas - fluctuations in revenue based on time of year
- **Review expense trends**
  - Marketing
    - ROI (return on investment) per marketing effort
    - New client acquisition cost
    - Prospect funnels
  - Team
    - Admin (non-billable), Paralegals (partially billable), Attorneys (billable)
    - Earning potential per position (profitability potential)
    - Productivity per position (5-4x ROI in the legal space)
    - Team cost as % of revenue
- **Net profit as % of revenue -** how much revenue remains as profit after expenses
- **Cash flow as % of revenue -** shows how much cash is generated relative to its revenue
- **Tax liability as % of revenue -** portion of revenue that goes toward paying taxes

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BAL SHEET DECODED

1 What you own (cash & assets)

2 What you owe (liabilities)

3 Lifetime profitability and what you gave/took (sustainability)

Law Firm, P.C.
Balance Sheet

Assets		
Income 1234	$20,000	
OPEX 1234	$132,000	
Team Expenses 1234	$20,000	
Tax 1234	$5,400	
Profit 1234	$22,600	
Total Assets		$200,000
Liabilities		
Credit Cards		
Amex 1234	$2,700	
Chase Ink 1234	$4,200	
Total Credit Cards		$6,900
Loans		
LOC 1234	$6,000	
EIDL	$6,000	
Due to Owner	$3,000	
Total Loans		$15,000
Total Liabilities		$21,900
Equity		
Current Year Earnings	$7,600	
Owner Distributions	$150,000	
Retained Earnings	$2[illegible],500	
Total Equity		$178,100
Total Liabilities + Equity		$200,000

1.) What You Own:

- **Cash**
  - Implement a cash management system that separates your cash from profit
  - 3-6 months padding for expenses including team expenses
  - Have an air-tight 3-way IOLTA reconciliation tracking
- **Accounts Receivable**
  - How well do you collect on invoices?
- **Liquidable Assets**
  - Equipment (like machinery, computers, or office furniture)
  - Security deposits (cash placed with a third party, i.e. landlords or service providers)

2.) What You Owe:

- **Credit cards**
  - Do you pay them off monthly?
  - Analyze your balance trends
- **Payroll liabilities**
  - Conduct quarterly audits
- **Loan accounts**
  - Implement a debt management strategy
  - Are you funding for growth or survival?
- **IOLTA liability** (***must match cash***)

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3.) Lifetime profitability and what you gave/took (sustainability):

- **Earnings (taxable profit)**
  - Current year earnings - reflects the business's performance
    - *This YTD (closes each year)*
  - Retained earnings - Profit/loss over the lifetime of the business
    - *Reflects the state of life of the business*
- **Owner Contribution**
  - Track personal money you gave the business
- **Owner Draw/Distribution**
  - Track business money you took for personal benefit

Bal Sheet Accuracy

Accurate cash balances
No negative amounts
Organize everything - no "general" or "misc" accounts
Accurate liability accounts

Bal Sheet COA Utilization

Assets & Liabilities

- Firm cash accounts
- IOLTA accounts
- Credit cards
- Loan accounts
- Payroll liabilities
- IOLTA liability *(must match cash)*

Equity

- How profitable are you over the business and how good are you at keeping that profit?

Bal Sheet KPIs (key performance indicators)

- **Cash**
  - Padding status (3-6 months of expenses including team expenses)
  - Future planning - are you setting aside cash for future purpose?
- **Liabilities**
  - Debt management milestones - are you making progress? what needs to change?
- **Value of firm**
  - Exit strategy - do you have one? are you on planning and on track?
  - Track KPIs provided by Retirement Planner
- **Review for trends & fluctuations**
  - Cash
  - Profits retained in cash
  - Credit card balance
  - Loan balance

MONTHLY ANALYSIS OF FINANCIALS

Budget variance report:	
	Notate any under or overages Communicate changes to team
Review P&L decoded checklists - refer to pages 3-4	
Review Bal sheet decoded checklists - refer to pages 5-6	
Do you understand your money story? What needs to change?	
Take note on anything to bring to your team's attention	
Did anything stand out to you after reviewing your financials? Communicate to the respective Key Financial Player	
Establish your numbers for your exit strategy and assemble Key Financial Players, ensure they are all on the same page	
Ask your questions shamelessly to your Key Financial Players	
Any AMAs not answered?	

THE FRAMEWORK

The framework is all about reflection and action.

Reflection is how we are able to see what is working and what is NOT working for us. We can make necessary adjustments based on what we see.

Take time to reflect on your previous quarter right now. What went *well*? What went *wrong*? What can you change to *avoid* it in the future? Take these changes, communicate it to your team, and pivot.

Start by ensuring you have the following in place:

- Create and maintain a budget
- **Cash flow management - implement and use a cash management system** (breaks down percentages of revenue to respective expenses separate from profit, i.e. payroll, taxes, owners comp, etc.)
- Revenue formulas & tracking
- Implement and track spending controls
- Accounts payable & accounts receivable
- Future projections of revenue, expenses, & cash flow

Next we'll dive into the quarterly touchpoints.

THE FRAMEWORK

QUARTERLY TOUCHPOINTS

QUARTER 1
Prior year Q4 reflection of financials and take note of any trends
Proactive tax strategy planning to ensure estimated tax payments made - Q1 use vouchers
Accurate numbers on financial reports

QUARTER 2
Q1 reflection of financials and take note of any trends
Ensure estimated tax payments made
Half year strategy adjustments

QUARTER 3
Q2 reflection of financials and take note of any trends
Ensure estimated tax payments made - Q3 use vouchers
Mid-year Key Financial Players check-ins

QUARTER 4
Q3 reflection of financials and take note of any trends
Next year financial mapping
Next 3 years milestones
End of year Key Financial Players check-ins

THE SYSTEMS

Michael Gerber, author of E-Myth Revisited says, "Organize around business functions, not people. Build systems within each business function. Let systems run the business and people run the systems. People come and go but the systems remain constant"

Systems are the backbone of a business. Systems can be set up once and run forever, no matter who comes and goes. Start by setting up these systems:

- Identify, analyze, & report on KPIs (key performance indicators)
- Financial review - run through checklists on pages 3-7 monthly
- Quarterly high level analysis - run through checklists on pages 8-9
- Proactive tax strategy - engage your tax strategist
- Put your CFO hat on and meet with your Key Financial Players at least twice a year

THE FLYWHEEL

The flywheel is a metaphor for a business strategy that creates a self-reinforcing system of growth. This is where everything comes together.

You are 4 steps ahead now:
You understand the *financial past*, you know how to apply it to the *financial future*, you have a *clear* exit strategy, and see you all the milestones on the path to get there.

Now we reflect, analyze, and make adjustments for the year, then the flywheel starts again.

THE FLYWHEEL

YEARLY TOUCHPOINTS

BEGINNING OF YEAR
Prior year reflection of financials and take note of any trends
Plan out a year based on your 3 year milestones
Ensure your exit strategy is measurable
Ensure you have meaningful and accurate financials
Tax preparation, are you first in line or rushing to get in line?

MID YEAR
Q1 & Q2 reflection of financials and take note of any trends
Ensure you have budget and cash management systems in place
Execute any half year strategy adjustments

END OF YEAR	
Full-year review of your financials as a whole, big picture reflection of financials and take note of any trends or changes that need to be made	
	Perform an expense audit Review C.C. processing fees Insurance updates
Annual planning for upcoming year based on previous year reflection	
	Complete any forecast pivots and reforecast
Review to see if you are on pace to meeting your goals for the next 3 years	
Meet with each of your Key Financial Players, update them on your new goals, & implement strategies	

ADDITIONAL RESOURCES

CLICK ANYWHERE IN THE BOX FOR THE LINK:

ARE YOU READY TO TRANSFORM YOUR LAW FIRM'S FINANCIAL FUTURE?
Our Law Firm Financial Freedom Framework is designed to empower you with the skills and systems to manage your finances like a law firm fractional CFO, driving profitability and setting a clear path toward financial freedom. Check it out!

FREQUENTLY ASKED QUESTIONS:
Have more questions? Check out our FAQ page to see if it's already answered. If you don't see if there shoot us an email at hello@yourcoresolution.com. Ask your questions shamelessly!

OUR FREE FINANCIAL ANALYSIS:
Not sure where your finances stand? Let us take a look with our free analysis!