Financial Management for Architecture Firms

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Managing Director
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Fraud and Embezzlement
“Is This Really Necessary?”

• “Cash is King”, but it could be the Joker
• Checking accounts (separation of duties):
  ✓ Who signs – 1 or 2 people and at what $ level
  ✓ Who opens the statements and reconciles the account
  ✓ Who deposits the checks
  ✓ Who answers billing questions
  ✓ Sudden changes in financial needs or “inheritances”
  ✓ Management override
  ✓ Stories
  ✓ Remember – “Where there is a will there is a way”
Working Capital
Cash Flow or Cash Flush

✓ 2nd Mortgages, credit cards and “hocking the kids”
✓ Payables – everyone wants to be paid “NOW”
  ✓ Vendors
  ✓ Employees
✓ Managing receivables:
  ✓ Credit policies
  ✓ Collection policies
✓ Banking relationships are critical:
  ✓ Working capital loans – Financing receivables and adjusting for work ebb and flow
  ✓ Equipment financing
  ✓ Buying, buying-in or buying-out strategies
  ✓ Growth
Now That I Have Some Money
How Do I Get It Out of This Thing?

✓ Distribution of Income
✓ Sole Proprietorship (single member LLC)
✓ Partnership
✓ “C” Corporation
✓ “S” Corporation
Other Than Salary, What Else Can I Do With Expenses?
“Pigs Go To Dinner, Hogs Go To Slaughter”

- General – Has to have a business purpose
- Retirement plans
- Cafeteria plans
- Education reimbursement
  - Per Employee
  - Related travel
- Autos: Cheap vs. Expensive
  - Personal use, including commute
  - Business use – “gotta” have logs
"Success"
How Do You Define It?
"This is where you all went wrong, causing my plan to fail."
Life Cycle of Businesses
Path For 80% Of All Business
Permanent Small Business

- Owner Dependent
- Focused on Survival
- Business Skills Limited
- No Continuity
Phase I Business

- Founders Technical
- Informal Management
- Reactive Planning
- Still Focused on Survival

Growth

Time
Phase II Business

- Leader
- Specialization
- Impersonal
- Growth
- Little Or No Equity
Phase III Business

- Management Team
- Refined Systems
- Planning
- Profitable
- Process Systems Strong

Growth over Time
Qualities of a Mature, Financially Stable, Professionally Managed Firm

- Business Niche
- Leadership
- Management
- Client Service
- Accounting
- Work Process Systems
- Employee Balanced
- Controls in place
  - Quality, Growth, Expenses
- Performance Information
- Communication of the Vision
Innovation and Execution

“Sweat Equity”

✓ Continuous Improvement = Continuous Education
✓ Invest in yourself, your partners and your employees
✓ Marketing vs. Selling
One Last Note, To Manage Your Business Better.....Graph IT
Sales - Actual

Dollars

2007
Sales - Actual

Dollars

2007
Questions