



**Lester Center for
Entrepreneurship &
Innovation**

**Best Practices Workshop:
Financial Management in
a Growing Startup**

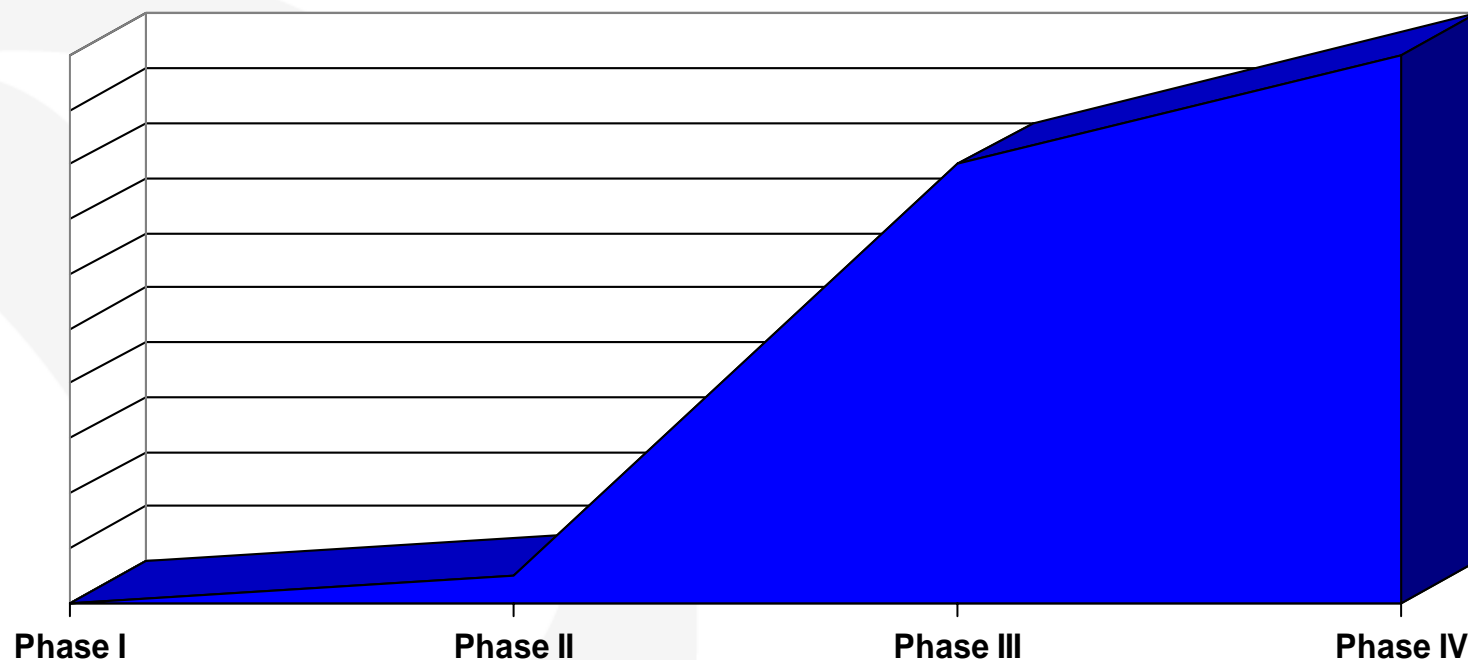
Rick Prime, VP & CFO

Financial Management in a Growing Startup

AGENDA

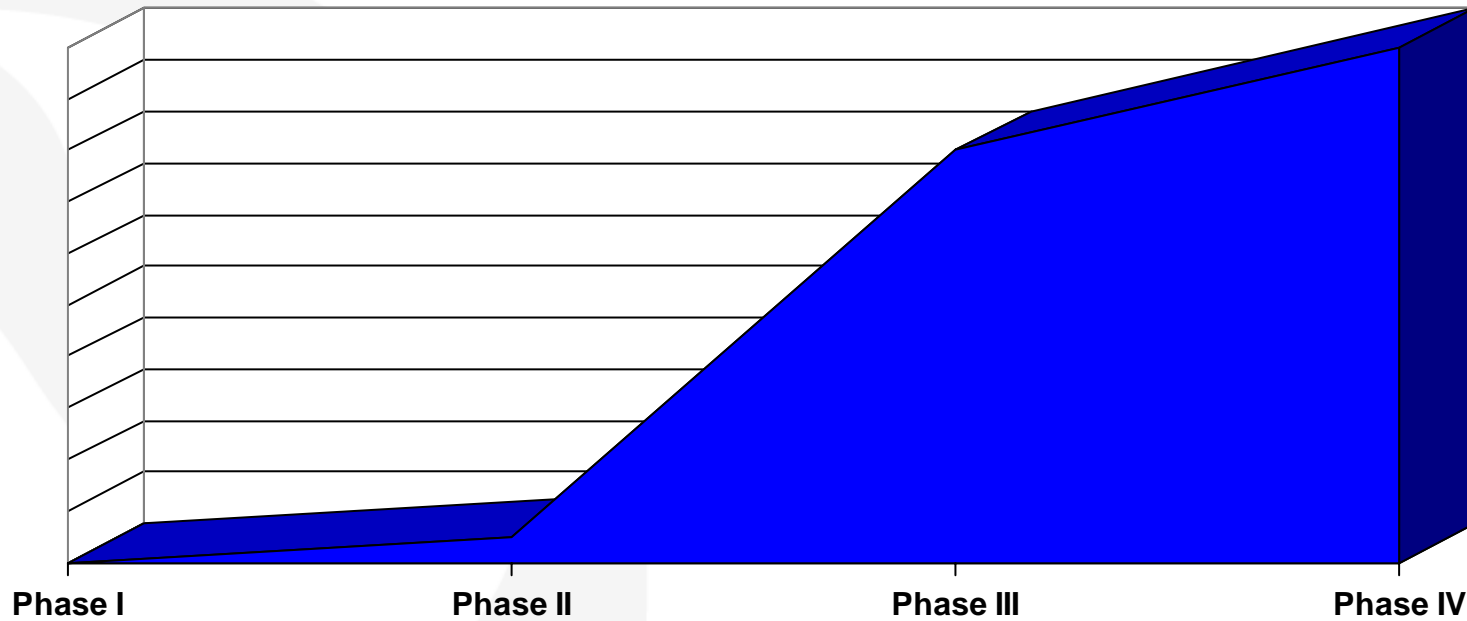
- New Venture Phases
- Financial Management Phases
- Phase I: Plan
- Phase II: Research & Development
- Phase III: Revenue
- Phase IV: Profitability
- Conclusions

New Venture Phases



- **Phase I:** Companies have no product revenues and little or no expense history, usually indicating an incomplete team with an idea, plan, and possibly some initial product development.
- **Phase II:** Companies still have no product revenues, but some expense history suggesting product development is underway.
- **Phase III:** Companies show product revenues, but they are still operating at a loss.
- **Phase IV:** Companies have product revenues and are operating profitably

Financial Management Phases



Financial Projections

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Financial Reporting

Financial Reporting

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Treasury

Treasury

Treasury

Risk Management

Risk Management

Risk Management

Operations

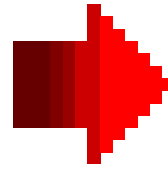
Operations

Phase I : Plan - Financial Management



- Seek Financing
 - PowerPoint Presentation
 - Business Plan
 - Financial Projections
 - Advisors (strategic, legal, financial, accounting, insurance)

Phase I I: Research & Development – Financial Management



- Start Company
 - Incorporation
 - Capitalization Table
 - Bank Account
 - Tax/Legal Compliance
 - Accounting – track what you are doing.
 - Business Insurance

Phase I I: Research & Development – Financial Management



- **Accounting**

- Get Quick books, Peachtree, part-time help
- Financial reporting
 - cash flow & check run
 - financial reports (I/S, BS, CF) & budge/actual
 - chart of accounts
 - VC "waterfall chart"

- **Human resources – payroll, benefits, stock options**

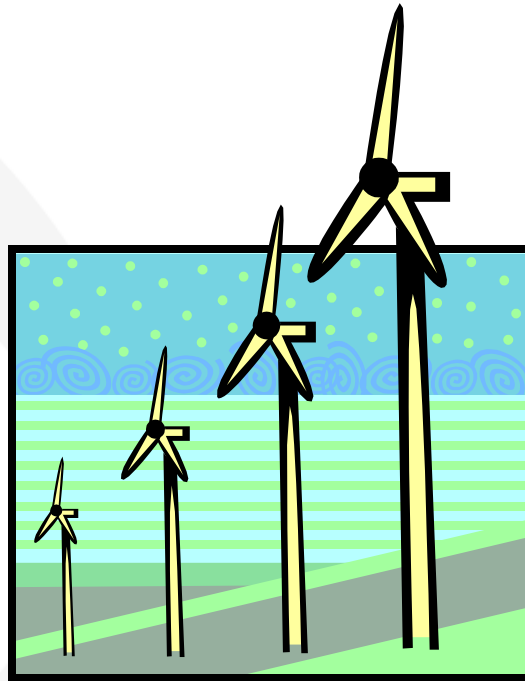
- Know the market
- Get part-time help or outsource.

Phase I I: Research & Development – Financial Management



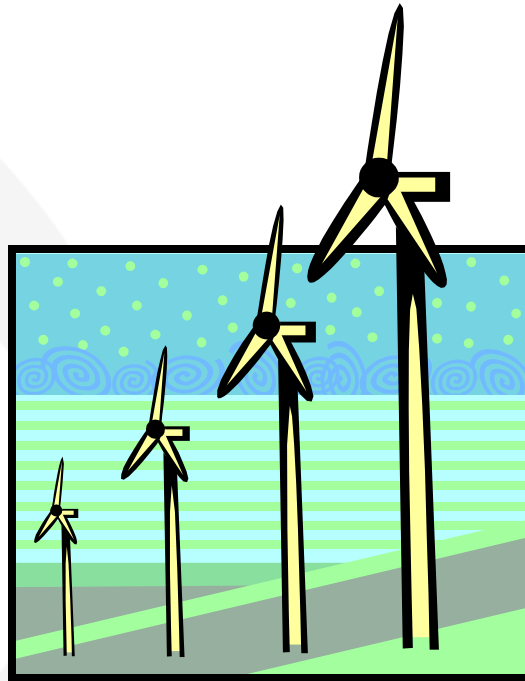
- Tax/Legal Compliance
 - Register to do business in City or County
 - Annual Federal, State Return
 - Ad Valorem Tax
 - Payroll tax for employees/1099 for consultants
 - Organize records: Financing, Corporate, Partner, Vender, Employee, Consulting, NDAs

Phase III : Revenue - Financial Management



- Revenue Recognition
- Annual Audits
- Cheaper Financing
 - Receivable, equipment leasing, vender financing, venture debt, EXIM bank

Phase III : Revenue - Financial Management



- Financial Controls
 - Signing authority (Checks, POs, Expense Reports, etc..)
- Business Insurance
 - Property, Liability, Automobile
 - Directors & Officers, Errors & Omissions
 - Key Man Life, Employment Practices, Patent Infringement

Phase IV : Profitability



- Understand and refine business model
- Outside Board member (s)
- Audit and Sarbanes-Oxley compliance
- Midrange accounting system
- Exit Strategy : IPO or acquisition

Financial Management in a Growing Startup

Conclusions

- Good Financial Management can accelerate financing in all start-up phases.
- Financial projections critical in all stages of new ventures.