WESSEL & COMPANY
ACCOUNTANTS & ADVISORS

Accounting Industry Overview

Presented by: *Patrick Bearjar, CPA, CGMA*

Accounting Industry Overview

- Where are the accountants?
- Current and future impact on accounting
- How is this going to be fixed?

Where are the accountants?

Accounting Today

- The accounting profession is facing an enormous shortage, with recent projections showing a deficit of up to 3.5 million accountants by 2025.

The Accountant Online

- Over 75% of certified public accountants (CPAs) reached retirement age in 2019.

Where are the accountants?

Accounting Today

- The number of candidates taking the CPA exam decreased by nearly 50% from 1990 to 2021.

Wall Street Journal

- Reports in the past two years, more than 300,000 U.S. accountants and auditors have left their jobs, a 17% decline.

Current and Future Impact on Accounting

- Talent Shortage/Remote Working
  - Replacement is more and more difficult, and talent is further away.

- Losing Knowledge
  - Valuable knowledge is leaving or shifting, leaving fewer experienced accountants available for quality internal accounting/reporting or delivery of quality client service.

  - Burn-out for remaining experience accountants, could result in earlier retirement for this group.

Current and Future Impact on Accounting (continued)

- Staying on top of accounting standards and new tax laws
  - This could have a significant impact on the markets and financing.
- Technology changes
  - The rapid speed of technology is difficult to stay on top and cost of adaption has its on constraints (IT line-item budgets are growing continually.
- Cybersecurity
  - Greater security risks are expected with AI and with the hybrid working.

How is this going to be fixed?

- There is no magic wand!
- Accounting field is now face with greater competition in the market and the field has to compensate for that… with wages, flexibility, less overtime and stress.
- Technology eventually will fill the void for some routine transactions. This will not be the case for advisory services.
- This of course is going to have a major impact on businesses, experienced accountants can only handle so much workload.

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Small Business Accounting Challenges

Presented by: *Patrick Bearjar, CPA, CGMA*

BUSINESS CHALLENGES

- Sustaining Profitability and Effective budgeting
- Timely and Accurate financial reporting
- Cashflow management
- Adequate accounting support (In-house and/or Outsourced)
- Cybersecurity, Automation and Artificial intelligence

Sustaining Profitability and Effective Budgeting

- Approach to sustaining profitability
  - Sales growth plan and strategy that ties in pricing or costing data rollup
    - We must have sufficient sales!
    - Sales need to return a targeted profit
  - Monthly and yearly budgeting
  - Using effective costing data to products, bidding and job profitability reporting
  - Employee and expense management and if applicable inventory management
    - Improper management tends to lead to loss profitability and difficultly with cash management

Monthly and yearly budgeting and forecasting data sets and points

	8.00%	9.00%	8.25%	8.50%	9.00%	8.00%	8.25%	8.50%	10.00%	8.00%	8.50%	6.00%	100.00%
	January	February	March	April	May	June	July	August	September	October	November	December	Total
Budgeted	2024	2024	2024	2024	2024	2024	2024	2024	2024	2024	2024	2024	2024
Revenues	$ 960,000	$ 1,080,000	$ 990,000	$ 1,020,000	$ 1,080,000	$ 960,000	$ 990,000	$ 1,020,000	$ 1,200,000	$ 960,000	$ 1,020,000	$ 720,000	$ 12,000,000

Emp #	Employee	Category	Full-Time (FT) Part-Time (PT)	Work Center	Direct Labor Hours	Overhead Labor Hours	Selling, General & Admin Labor Hours	Total Hours	Labor Rate Per Hour	Direct Labor Expense	Overhead Labor Expense	Selling, General & Admin Labor Expense	Total Labor Expense
1	Employee #1	Shop	FT	Machine #1	1,872	208	-	2,080	$ 19.23	$ 36,000	$ 4,000	$ -	$ 40,000
2	Employee #2	Shop	FT	Machine #1	1,872	208	-	2,080	$ 17.79	33,300	3,700	-	37,000
3	Employee #3	Shop	FT	Machine #1	1,872	208	-	2,080	$ 16.35	30,600	3,400	-	34,000
4	Employee #4	Shop	FT	Machine #1	1,872	208	-	2,080	$ 14.90	27,900	3,100	-	31,000
5	Employee #5	Shop	FT	Machine #2	1,872	208	-	2,080	$ 18.27	34,200	3,800	-	38,000
6	Employee #6	Shop	FT	Machine #2	1,872	208	-	2,080	$ 16.83	31,500	3,500	-	35,000
7	Employee #7	Shop	FT	Machine #2	1,872	208	-	2,080	$ 15.38	28,800	3,200	-	32,000
8	Employee #8	Shop	FT	Machine #2	1,872	208	-	2,080	$ 13.94	26,100	2,900	-	29,000
9	Employee #9	Shop	FT	Machine #3	1,872	208	-	2,080	$ 17.31	32,400	3,600	-	36,000
10	Employee #10	Shop	FT	Machine #3	1,872	208	-	2,080	$ 15.87	29,700	3,300	-	33,000
11	Employee #11	Office	FT	Office	-	-	2,080	2,080	$ 24.04	-	-	50,000	50,000
12	Employee #12	Office	FT	Office	-	-	2,080	2,080	$ 24.04	-	-	50,000	50,000
13	Employee #13	Office	FT	Office	-	-	2,080	2,080	$ 48.08	-	-	100,000	100,000
14	Employee #14	Office	FT	Office	-	-	2,080	2,080	$ 48.08	-	-	100,000	100,000
					64,584	7,176	8,320	80,080		$ 1,104,750	$ 122,750	$ 300,000	$ 1,527,500
									Blended DL Rate	20.00			

- We need to develop data that is based on available or best estimated data – Try not to inflated or deflated too much
- Established Sales goal - estimate the sales (revenues) to each month
- We want to identify our categories, capacity, blended direct labor rate and cost of labor
- Use the sales data labor to bill your monthly and yearly budget – **next slide**

*****The more data sets and data points we can create the more effective the budget**

Monthly and yearly budgeting - Example

	January 2024	February 2024	March 2024	**1st Quarter 2024**	April 2024	May 2024	June 2024	**2nd Quarter 2024**	July 2024	August 2024	September 2024	**3rd Quarter 2024**	October 2024	November 2024	December 2024	**4th Quarter 2024**	**Budget**
Net Revenues	$ 960,000	$ 1,080,000	$ 990,000	**$ 3,030,000**	$ 1,020,000	$ 1,080,000	$ 960,000	**$ 3,060,000**	$ 990,000	$ 1,020,000	$ 1,200,000	**$ 3,210,000**	$ 960,000	$ 1,020,000	$ 720,000	**$ 2,700,000**	**$ 12,000,000**
Net Revenues Percent of Total	**8.00%**	**9.00%**	**8.25%**	**25.25%**	**8.50%**	**9.00%**	**8.00%**	**25.50%**	**8.25%**	**8.50%**	**10.00%**	**26.75%**	**8.00%**	**8.50%**	**6.00%**	**22.50%**	**100.00%**
Cost of Sales																	
Direct Materials	295,448	332,379	304,681	**932,508**	313,914	332,379	295,448	**941,741**	304,681	313,914	369,310	**987,904**	295,448	313,914	221,586	**830,948**	**3,693,100**
Direct labor	175,200	197,100	180,675	**552,975**	186,150	197,100	175,200	**558,450**	180,675	186,150	219,000	**585,825**	175,200	186,150	131,400	**492,750**	**2,190,000**
Subcontractors	24,536	27,603	25,303	**77,442**	26,070	27,603	24,536	**78,209**	25,303	26,070	30,670	**82,042**	24,536	26,070	18,402	**69,008**	**306,700**
Other direct costs	4,664	5,247	4,810	**14,721**	4,956	5,247	4,664	**14,867**	4,810	4,956	5,830	**15,595**	4,664	4,956	3,498	**13,118**	**58,300**
Overhead	203,104	228,492	209,451	**641,047**	215,798	228,492	203,104	**647,394**	209,451	215,798	253,880	**679,129**	203,104	215,798	152,328	**571,230**	**2,538,800**
Total Cost of Sales	702,952	790,821	724,919	**2,218,692**	746,887	790,821	702,952	**2,240,660**	724,919	746,887	878,690	**2,350,496**	702,952	746,887	527,214	**1,977,053**	**8,786,900**
Gross Profit	257,048	289,179	265,081	**811,308**	273,114	289,179	257,048	**819,341**	265,081	273,114	321,310	**859,504**	257,048	273,114	192,786	**722,948**	**3,213,100**
Gross Profit %	**26.78%**	**26.78%**	**26.78%**	**26.78%**	**26.78%**	**26.78%**	**26.78%**	**26.78%**	**26.78%**	**26.78%**	**26.78%**	**26.78%**	**26.78%**	**26.78%**	**26.78%**	**26.78%**	**26.78%**
Salaries and Wages	125,833	125,833	125,833	**377,500**	125,833	125,833	125,833	**377,500**	125,833	125,833	125,833	**377,500**	125,833	125,833	125,833	**377,500**	**1,510,000**
Commissions	18,333	18,333	18,333	**55,000**	18,333	18,333	18,333	**55,000**	18,333	18,333	18,333	**55,000**	18,333	18,333	18,333	**55,000**	**220,000**
Payroll Taxes and Benefits	47,242	47,242	47,242	**141,725**	47,242	47,242	47,242	**141,725**	47,242	47,242	47,242	**141,725**	47,242	47,242	47,242	**141,725**	**566,900**
Advertising and Business Promotion	500	500	500	**1,500**	500	500	500	**1,500**	500	500	500	**1,500**	500	500	500	**1,500**	**6,000**
Dues and Subscriptions	25	25	25	**75**	25	25	25	**75**	25	25	25	**75**	25	25	25	**75**	**300**
Insurance Expense	1,267	1,267	1,267	**3,800**	1,267	1,267	1,267	**3,800**	1,267	1,267	1,267	**3,800**	1,267	1,267	1,267	**3,800**	**15,200**
Repairs and Maintenance	167	167	167	**500**	167	167	167	**500**	167	167	167	**500**	167	167	167	**500**	**2,000**
Building Maintenance	167	167	167	**500**	167	167	167	**500**	167	167	167	**500**	167	167	167	**500**	**2,000**
Office Expense	242	242	242	**725**	242	242	242	**725**	242	242	242	**725**	242	242	242	**725**	**2,900**
Professional Services IT	1,917	1,917	1,917	**5,750**	1,917	1,917	1,917	**5,750**	1,917	1,917	1,917	**5,750**	1,917	1,917	1,917	**5,750**	**23,000**
Office Rent	1,750	1,750	1,750	**5,250**	1,750	1,750	1,750	**5,250**	1,750	1,750	1,750	**5,250**	1,750	1,750	1,750	**5,250**	**21,000**
Other Taxes	350	350	350	**1,050**	350	350	350	**1,050**	350	350	350	**1,050**	350	350	350	**1,050**	**4,200**
Automobile Expense	167	167	167	**500**	167	167	167	**500**	167	167	167	**500**	167	167	167	**500**	**2,000**
Telephone Expense	167	167	167	**500**	167	167	167	**500**	167	167	167	**500**	167	167	167	**500**	**2,000**
Travel and Entertainment Expense	1,317	1,317	1,317	**3,950**	1,317	1,317	1,317	**3,950**	1,317	1,317	1,317	**3,950**	1,317	1,317	1,317	**3,950**	**15,800**
Utilities Expense	408	408	408	**1,225**	408	408	408	**1,225**	408	408	408	**1,225**	408	408	408	**1,225**	**4,900**
Bad Debts Expense	4,167	4,167	4,167	**12,500**	4,167	4,167	4,167	**12,500**	4,167	4,167	4,167	**12,500**	4,167	4,167	4,167	**12,500**	**50,000**
Freight-Out Expense	500	500	500	**1,500**	500	500	500	**1,500**	500	500	500	**1,500**	500	500	500	**1,500**	**6,000**
Depreciation Expense	500	500	500	**1,500**	500	500	500	**1,500**	500	500	500	**1,500**	500	500	500	**1,500**	**6,000**
Amortization Expense	250	250	250	**750**	250	250	250	**750**	250	250	250	**750**	250	250	250	**750**	**3,000**
General and Administrative Expenses	214,075	214,075	214,075	**642,225**	214,075	214,075	214,075	**642,225**	214,075	214,075	214,075	**642,225**	214,075	214,075	214,075	**642,225**	**2,568,900**
Income/(Loss) from Operations	42,973	75,104	51,006	**169,083**	59,039	75,104	42,973	**177,116**	51,006	59,039	107,235	**217,279**	42,973	59,039	(21,289)	**80,723**	**644,200**
Income/(Loss) from Operations Percent	**4.48%**	**6.95%**	**5.15%**	**5.58%**	**5.79%**	**6.95%**	**4.48%**	**5.79%**	**5.15%**	**5.79%**	**8.94%**	**6.77%**	**4.48%**	**5.79%**	**-2.96%**	**2.99%**	**5.37%**
Other Income/(Expense)																	
Interest Expense	(1,333)	(1,333)	(1,333)	**(4,000)**	(1,333)	(1,333)	(1,333)	**(4,000)**	(1,333)	(1,333)	(1,333)	**(4,000)**	(1,333)	(1,333)	(1,333)	**(4,000)**	**(16,000)**
Interest Income	500	500	500	**1,500**	500	500	500	**1,500**	500	500	500	**1,500**	500	500	500	**1,500**	**6,000**
Total Other Income/(Expense)	19,567	19,567	19,567	**58,700**	19,567	19,567	19,567	**58,700**	19,567	19,567	19,567	**58,700**	19,567	19,567	19,567	**58,700**	**234,800**
Net Income/(Loss)	$ 62,540	$ 94,671	$ 70,572	**$ 227,783**	$ 78,605	$ 94,671	$ 62,540	**$ 235,816**	$ 70,572	$ 78,605	$ 126,802	**$ 275,979**	$ 62,540	$ 78,605	$ (1,722)	**$ 139,423**	**$ 879,000**
Net Income/(Loss) Percent	**6.51%**	**8.77%**	**7.13%**	**7.52%**	**7.71%**	**8.77%**	**6.51%**	**7.71%**	**7.13%**	**7.71%**	**10.57%**	**8.60%**	**6.51%**	**7.71%**	**-0.24%**	**5.16%**	**7.33%**

Now we data to calculate our costing and pricing data (provisional indirect rates)

Yearly budget used for cost and pricing data example (Provisional Indirect Rates)

	Budget
Net Revenues	$ 12,000,000
Net Revenues Percent of Total	100.00%
Cost of Sales	
Direct Materials	3,693,100
Direct labor	2,190,000
Subcontractors	306,700
Other direct costs	58,300
Overhead	2,538,800
Total Cost of Sales	8,786,900
Gross Profit	3,213,100
Gross Profit %	26.78%
Salaries and Wages	1,510,000
Commissions	220,000
Payroll Taxes and Benefits	566,900
Advertising and Business Promotion	6,000
Dues and Subscriptions	300
Insurance Expense	15,200
Repairs and Maintenance	2,000
Building Maintenance	2,000
Office Expense	2,900
Professional Services IT	23,000
Office Rent	21,000
Other Taxes	4,200
Automobile Expense	2,000
Telephone Expense	2,000
Travel and Entertainment Expense	15,800
Utilities Expense	4,900
Bad Debts Expense	50,000
Freight-Out Expense	6,000
Depreciation Expense	6,000
Amortization Expense	3,000
General and Administrative Expenses	2,568,900
Income/(Loss) from Operations	644,200
Income/(Loss) from Operations Percent	5.37%
Other Income/(Expense)	
Interest Expense	(16,000)
Interest Income	6,000
Total Other Income/(Expense)	234,800
Net Income/(Loss)	$ 879,000
Net Income/(Loss) Percent	7.33%

Indirect Rates		Budget 2024
Shop Rate		$ 43.19
Company Rate		$ 55.81
Overhead Rate		115.93%
G&A Rate		29.24%
Non-Charges Rate		0.00%
Overhead Costs		$ 2,538,800
Direct Labor		$ 2,190,000
Overhead Rate		115.93%
SG&A Costs		$ 2,568,900
Total Cost less SG&A		$ 8,786,900
SG&A Rate		29.24%
Fringe Benefit		$ 971,700
Total Labor		$ 5,110,000
Fringe Benefit Rate (Ref. Only)		19.02%
Non-charges		$ 0
All costs less G&A		$ 8,318,323
Non-charges Percentage		0.00%
Estimated Blended DL per Hr.		$ 20
OH Rate	115.93%	23
Shop Rate per Hr.		43
SG&A Rate	29.24%	13
Company Rate per Hr. no markup		$ 56
Company Rate with Profit @10%		$ 62
Company Rate with Profit @15%		$ 66
Company Rate with Profit @20%		$ 70
Company Rate with Profit @25%		$ 74

Data points to help with profitability

To cost proposal

To cost proposal

Blended DL from labor forecast

Pricing data

COST ROLL UP PROPOSAL
EXAMPLE

Direct Labor	Hours	(Blended DL Rate)	Direct Labor	Overhead (DL * OH Rate)	DL+OH
				115.93%	
Lead Welder	1,483	$ 30.00	$ 44,501	$ 51,588	$ 96,089
Assistant Welder	862	$ 25.00	$ 21,540	$ 24,971	46,512
Grinder	471	$ 20.00	$ 9,413	$ 10,912	20,325
Machinist	572	$ 28.00	$ 16,022	$ 18,574	34,595
Punch Operator	559	$ 22.00	$ 12,302	$ 14,262	26,564
Plazma Operator	239	$ 22.00	$ 5,254	$ 6,090	11,344
				DL & OH Total	**235,429**

Material		
		DC
Materials	$ 558,270	558,270
Subcontractors	$ 300,000	300,000
	Material Category Total	**858,270**

Other Direct Cost		
		ODC
Consultants	$ 15,000	15,000
Travel	$ 1,000	1,000
Consumables	$ 500	500
Manuals	$ 2,000	2,000
Delivery	$ 3,000	3,000
	ODC Category Total	**21,500**
		1,115,199
APPLIED G&A (DL + OH + MATERIALS + ODC)* G&A Rate)	29.24%	326,035
	DL,OH, Materials, Subs & G&A Total	**1,441,233**

Total Costs		**1,441,233**
Fee	**8%**	115,299
Project Total		**$ 1,556,532**

Timely and Accurate Financial Reporting

- Monthly reporting close:
  - 3 to 5 day soft close – provides input from the users
  - 10 or less days hard close – monthly closing is historical the longer it takes the less valuable the data becomes for decision making or making effective change

- Accurate
  - Data presented is reliable to make informed decisions
  - Make use of best estimates as to no hold up closing timeline
  - Be consistent on accounting methods
  - Consider both internal accounting and US GAAP accounting in your reporting

- Financial Reporting
  - Flash reports
  - Balance Sheet, income statement, cash flow, prior year vs current, budget to current year actuals
  - Indirect Rates and job profitability report
  - Key metrics and Visual Graphs

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MONTHLY REPORTING CORPORATION
DECEMBER MONTHLY FLASH REPORT

KEY INDICATORS	2023 MTD	2024 MTD		2023 YTD	2024 YTD	
Cash				$ 452,500	$ 238,500	
Accounts Receivable				1,358,000	1,309,000	
Inventories				1,556,000	1,557,000	
Accounts Payable				1,350,000	1,200,000	
Lines of Credit				650,000	290,000	
Notes payable				960,500	1,181,700	
Total Revenues	$ 1,170,000	$ 1,291,290		$ 11,739,000	$ 12,894,868	
Cost of Sales	777,695	676,270		9,332,340	8,004,240	
Gross Profit	392,305	615,020		2,406,660	4,890,628	
Gross Profit %	**33.53%**	**47.63%**		**20.50%**	**37.93%**	
			% of Sales			**% of Sales**
G&A Expense	152,845	242,670	**18.79%**	1,834,140	2,912,040	**22.58%**
Other Income/(Expense)	20,900	20,900	**1.62%**	250,800	250,800	**1.94%**
Interest Expense	(1,125)	(825)	**-0.06%**	(13,500)	(12,425)	**-0.10%**
Net Profit before taxes	**$ 259,235**	**$ 392,425**	**30.39%**	**$ 809,820**	**$ 2,216,963**	**17.19%**

	Revenues Per Employees 2023	2024		Revenues Per Employees 2023	2024
# of Emp. (Shop)	48	48		48	48
# of Emp. (Office) FTE	7	7		7	7
Revenues per employee	$ 21,273	$ 23,478		$ 213,436	$ 234,452

	2023	2024	23-24	Budget	24 - Budget
* **SHOP RATE**	**57.54**	**42.32**	**-15.22**	**43.19**	**-0.86**
* **COMPANY RATE**	**68.47**	**55.60**	**-12.87**	**55.81**	**-0.21**
OVERHEAD/G&A RATE CALCULATIONS					
Total Fringe	971,700	1,188,600		971,700	
Fringe Base (total payroll costs)	5,110,000	5,340,000		5,110,000	
Fringe Rate	**19.02%**	**22.26%**	**3.24%**	**19.02%**	**3.24%**
Total Overhead	3,317,212	2,416,323		2,538,800	
Overhead Base (DL costs)	1,910,000	2,165,000		2,190,000	
Overhead Rate	**173.68%**	**111.61%**	**-62.07%**	**115.93%**	**-4.32%**
Total G&A --->	1,587,138	2,610,382		2,568,900	
Total Base --->	8,339,712	8,318,323		8,786,900	
G&A Rate	**19.03%**	**31.38%**	**12.35%**	**29.24%**	**2.15%**

Key Ratios		2023	2024	Low	Industry Med	High
Gross Profit	Higher is normally better	**20.50%**	**37.93%**	<24.00%	**24.00- 28.00%**	>28.00%
Return on Equity	Higher is normally better	**7.03%**	**2.63%**	<8.00%	**8.00 - 20.00%**	>20.00%
Current Ratio	Higher is normally better	**1.40**	**1.94**	<1.25	**1.25 - 2.5**	>2.5
Inventory turnover	Higher is normally better	**12.00**	**7.00**	<3.0	**3.0 - 5.5**	>5.5
Days Inventory	Lower is normally better	**30.43**	**52.14**	<60	**60 - 80**	>80
A/R Turnover	Higher is normally better	**18.66**	**9.60**	<8.3	**8.3 - 12**	>12
A/R Days Receivable	Lower is normally better	**19.56**	**38.03**	<35	**35-50**	>50
A/P Turnover	Higher is normally better	**14.36**	**9.54**	<6	**6 - 14**	>14
A/P Days Payable	Lower is normally better	**25.42**	**38.26**	<25	**25-50**	>50

Notes:

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MONTHLY REPORTING CORPORATION
MONTHLY BUDGET TO ACTUAL FOR DECEMBER 31,

KEY INDICATORS	2024 BUDGET MTD	2024 ACTUAL MTD		2024 BUDGET YTD	2024 ACTUAL YTD	
Cash				$ 452,500	$ 238,500	
Accounts Receivable				1,533,000	1,309,000	
Inventories				1,706,000	1,557,000	
Accounts Payable				1,025,000	1,200,000	
Lines of Credit				388,500	290,000	
Notes payable				1,162,500	1,181,700	
Total Revenues	$ 720,000	$ 1,291,290		$ 12,000,000	$ 12,894,868	
Cost of Sales	527,214	676,270		8,786,900	8,004,240	
Gross Profit	192,786	615,020		3,213,100	4,890,628	
Gross Profit %	**26.78%**	**47.63%**		**26.78%**	**37.93%**	
			% of Sales			**% of Sales**
G&A Expense	214,075	242,670	**18.79%**	2,568,900	2,912,040	**22.58%**
Other Income/(Expense)	20,900	20,900	**1.62%**	250,800	250,800	**1.94%**
Interest Expense	(1,333)	(825)	**-0.06%**	(16,000)	(12,425)	**-0.10%**
Net Profit before taxes	**$ (1,722)**	**$ 392,425**	**30.39%**	**$ 879,000**	**$ 2,216,963**	**17.19%**

	Revenues Per Employees 2024 BUDGET MTD	2024 ACTUAL MTD		Revenues Per Employees 2024 BUDGET YTD	2024 ACTUAL YTD
# of Emp. (Shop)	48	48		48	48
# of Emp. (Office) FTE	8	7		8	7
Revenues per employee	$ 12,857	$ 23,478		$ 214,286	$ 234,452

	2023	2024	23-24	Budget	24 - Budget
* **SHOP RATE**	**57.54**	**42.32**	**-15.22**	**43.19**	**-0.86**
* **COMPANY RATE**	**68.47**	**55.60**	**-12.87**	**55.81**	**-0.21**
OVERHEAD/G&A RATE CALCULATIONS					
Total Fringe	971,700	1,188,600		971,700	
Fringe Base (total payroll costs)	5,110,000	5,340,000		5,110,000	
Fringe Rate	**19.02%**	**22.26%**	**3.24%**	**19.02%**	**3.24%**
Total Overhead	3,317,212	2,416,323		2,538,800	
Overhead Base (DL costs)	1,910,000	2,165,000		2,190,000	
Overhead Rate	**173.68%**	**111.61%**	**-62.07%**	**115.93%**	**-4.32%**
Total G&A --->	1,587,138	2,610,382		2,568,900	
Total Base --->	8,339,712	8,318,323		8,786,900	
G&A Rate	**19.03%**	**31.38%**	**12.35%**	**29.24%**	**2.15%**

Notes:

MONTHLY REPORTING CORPORATION
BALANCE SHEETS
CURRENT PERIOD
UNAUDITED NO ASSURANCE PROVIDED

	January 2024	February 2024	March 2024	April 2024	May 2024	June 2024	July 2024	August 2024	September 2024	October 2024	November 2024	December 2024	Year End 2023	Budget 2024
ASSETS														
Current Assets														
Cash and Cash Equivalents	$ 323,500	$ 275,000	$ 301,500	$ 256,000	$ 275,000	$ 231,000	$ 260,500	$ 209,000	$ 229,500	$ 262,000	$ 200,000	$ 238,500	$ 452,500	$ 452,500
Accounts Receivable, net	1,329,000	1,382,000	1,310,000	1,269,000	1,282,000	1,344,000	1,278,000	1,225,000	1,241,000	1,206,000	1,207,000	1,309,000	1,358,000	1,533,000
Current Portion - Affiliate Receivables	500	1,000	1,500	3,000	1,000	3,000	4,500	4,000	2,500	5,000	1,000	5,500	5,500	5,500
Current Portion - Note Receivables	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Inventories	1,431,000	1,562,000	1,511,000	1,642,000	1,591,000	1,622,000	1,571,000	1,702,000	1,651,000	1,652,000	1,666,000	1,557,000	1,556,000	1,706,000
Prepaid Expenses	40,000	80,000	120,000	240,000	80,000	240,000	360,000	320,000	200,000	400,000	80,000	440,000	115,500	115,500
Investments	200,000	208,000	216,320	224,973	233,972	243,331	253,064	263,186	273,714	284,662	296,049	307,891	277,102	277,100
Other Current Asset	5,091	10,182	15,273	30,545	10,182	30,545	45,818	40,727	25,455	50,909	10,182	56,000	199,154	199,200
Prepaid Corporate Taxes	600	1,200	1,800	3,600	1,200	3,600	5,400	4,800	3,000	6,000	1,200	6,600	6,600	7,100
Total Current Assets	3,330,691	3,520,382	3,478,393	3,670,118	3,475,354	3,718,476	3,779,282	3,769,713	3,627,169	3,867,571	3,462,431	3,921,491	3,971,356	4,296,900
Fixed Asset	3,566,000	3,546,000	3,526,000	3,516,000	3,471,000	3,466,000	3,456,000	3,426,000	3,386,000	3,386,000	3,321,000	3,341,000	3,676,000	3,556,000
Operating Lease Right-of-Use Assets, Net	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Affiliate Receivables	500	500	500	500	500	500	500	500	500	500	500	500	500	500
Note Receivables	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Deferred Income Taxes Asset	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Other Asset	2,000	4,000	6,000	12,000	4,000	12,000	18,000	16,000	10,000	20,000	4,000	22,000	22,000	22,000
Goodwill	42,500	42,000	41,500	41,000	40,500	40,000	39,500	39,000	38,500	38,000	37,500	37,000	44,500	44,500
Total Assets	$ 7,107,691	$ 7,278,882	$ 7,218,393	$ 7,405,618	$ 7,157,354	$ 7,402,976	$ 7,459,282	$ 7,417,213	$ 7,228,169	$ 7,478,071	$ 6,991,431	$ 7,487,991	$ 7,880,356	$ 8,085,900
LIABILITIES AND STOCKHOLDERS' EQUITY														
Current Liabilities														
Accounts Payable	$ 1,050,000	$ 900,000	$ 1,050,000	$ 1,150,000	$ 1,100,000	$ 1,000,000	$ 1,150,000	$ 1,150,000	$ 1,200,000	$ 1,325,000	$ 1,250,000	$ 1,200,000	$ 1,350,000	$ 1,025,000
Accrued Payroll and Benefits	72,460	78,460	90,460	102,460	108,460	114,460	126,460	138,460	144,460	156,460	168,460	171,960	69,660	50,200
Accrued Expenses	17,350	19,700	22,050	29,100	19,700	29,100	36,150	33,800	26,750	38,500	19,700	40,850	40,850	21,400
Payable to Affiliate	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Short-term Borrowings	240,000	290,000	340,000	290,000	240,000	290,000	340,000	290,000	240,000	290,000	340,000	290,000	650,000	388,500
Deferred Revenues	75,000	150,000	225,000	450,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Advances/Deposits	15,000	30,000	45,000	90,000	30,000	90,000	135,000	120,000	75,000	150,000	30,000	165,000	165,000	165,000
Current Portion - Notes Payables	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000
Current Portion - Finance Leases	85,000	85,000	85,000	85,000	85,000	85,000	85,000	85,000	85,000	85,000	85,000	85,000	85,000	85,000
Current Portion - Operating Leases Liability	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Current Portion - Stockholders Loan	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Current Portion - Shareholder Interest	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Other Current Liabilities	26,500	26,500	26,500	26,500	26,500	26,500	26,500	26,500	26,500	26,500	26,500	26,500	26,500	26,500
Total Current Liabilities	1,717,310	1,715,660	2,020,010	2,359,060	1,895,660	1,921,060	2,185,110	2,129,760	2,083,710	2,357,460	2,205,660	2,265,310	2,673,010	2,047,600
Long-Term Notes Payable	600,000	592,900	585,800	578,700	571,600	564,500	557,400	550,300	543,200	536,100	529,000	521,900	521,900	491,900
Long-Term Finance Lease	211,200	208,800	206,400	204,000	201,600	199,200	196,800	194,400	192,000	189,600	187,200	184,800	213,600	195,600
Long-Term Operating Leases Liabilities	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Stockholders Loan	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Stockholders Interest	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Deferred Income Taxes Liability	230,000	230,000	230,000	230,000	230,000	230,000	230,000	230,000	230,000	230,000	230,000	230,000	230,000	230,000
Total Liabilities	3,028,510	3,017,360	3,312,210	3,641,760	3,168,860	3,184,760	3,439,310	3,374,460	3,318,910	3,583,160	3,421,860	3,472,010	3,908,510	3,235,100
Common Stock	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Additional Paid-In-Capital	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)
Distributions	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Retained Earnings	4,010,181	4,192,522	3,837,183	3,694,858	3,919,494	4,149,216	3,950,972	3,973,753	3,840,259	3,825,911	3,500,571	3,946,981	3,902,846	4,781,800
Total Equity	4,084,181	4,266,522	3,911,183	3,768,858	3,993,494	4,223,216	4,024,972	4,047,753	3,914,259	3,899,911	3,574,571	4,020,981	3,976,846	4,855,800
Less: Treasury	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)
Total Stockholders' Equity	4,079,181	4,261,522	3,906,183	3,763,858	3,988,494	4,218,216	4,019,972	4,042,753	3,909,259	3,894,911	3,569,571	4,015,981	3,971,846	4,850,800
Total Liabilities and Stockholders' Equity	$ 7,107,691	$ 7,278,882	$ 7,218,393	$ 7,405,618	$ 7,157,354	$ 7,402,976	$ 7,459,282	$ 7,417,213	$ 7,228,169	$ 7,478,071	$ 6,991,431	$ 7,487,991	$ 7,880,356	$ 8,085,900

METRICS	January 2024	February 2024	March 2024	April 2024	May 2024	June 2024	July 2024	August 2024	September 2024	October 2024	November 2024	December 2024	Year End 2023	Budget 2024
Quick Ratio	0.96	0.97	0.80	0.65	0.82	0.82	0.70	0.67	0.71	0.62	0.64	0.68	0.65	0.97
Current Ratio	1.94	2.05	1.72	1.56	1.83	1.94	1.73	1.77	1.74	1.64	1.57	1.73	1.40	2.10
A/R turnover	9.60	9.88	11.31	12.70	13.47	13.52	15.03	16.74	17.35	18.50	19.34	18.82	18.66	8.13
A/R Number of Days	38.03	36.93	32.26	28.75	27.09	26.99	24.28	21.81	21.03	19.73	18.87	19.40	19.56	44.91
Inventory turnover	7.00	6.83	7.51	7.30	7.93	8.20	8.91	8.61	9.30	9.67	10.00	11.13	12.00	5.78
Inventory Number of Days	52.14	53.40	48.58	49.99	46.00	44.51	40.99	42.38	39.25	37.76	36.50	32.78	30.43	63.16
Return on Fixed Assets	3.01%	3.80%	11.15%	23.84%	32.53%	32.70%	36.41%	48.27%	53.03%	51.08%	54.94%	66.36%	22.18%	24.72%
A/P turnover	9.54	11.86	10.81	10.43	11.48	13.30	12.17	12.75	12.79	12.05	13.33	14.45	14.36	9.81
A/P Number of Days	38.26	30.77	33.76	35.01	31.81	27.44	30.00	28.64	28.53	30.28	27.39	25.26	25.42	37.20
Return on Equity	2.63%	3.16%	10.06%	22.27%	28.31%	26.87%	31.30%	40.90%	45.93%	44.40%	51.11%	55.20%	7.03%	-0.04%
Debt to Equity	0.30	0.30	0.33	0.33	0.30	0.29	0.32	0.30	0.29	0.31	0.34	0.29	1.47	0.31

UNAUDITED NO ASSURANCE PROVIDED

MONTHLY REPORTING CORPORATION
STATEMENTS OF OPERATIONS
CURRENT PERIOD
UNAUDITED NO ASSURANCE PROVIDED

	January 2024	February 2024	March 2024	**1st Quarter 2024**	April 2024	May 2024	June 2024	**2nd Quarter 2024**	July 2024	August 2024	September 2024	**3rd Quarter 2024**	October 2024	November 2024	December 2024	**4th Quarter 2024**	**YTD 2024**	**YTD 2023**
Net Revenues	$ 1,015,000	$ 903,903	$ 1,162,161	**$ 3,081,064**	$ 1,291,290	$ 1,162,161	$ 903,903	**$ 3,357,354**	$ 1,033,032	$ 1,291,290	$ 1,033,032	**$ 3,357,354**	$ 774,774	$ 1,033,032	$ 1,291,290	**$ 3,099,096**	**$ 12,894,868**	**$ 11,739,000**
Net Revenues Percent of Total	**7.87%**	**7.01%**	**9.01%**	**23.89%**	**10.01%**	**9.01%**	**7.01%**	**26.04%**	**8.01%**	**10.01%**	**8.01%**	**26.04%**	**6.01%**	**8.01%**	**10.01%**	**24.03%**	**100.00%**	**100.00%**
Cost of Sales																		
Direct Materials	281,500	278,500	284,500	**844,500**	255,500	300,000	280,000	**835,500**	290,000	280,000	280,000	**850,000**	270,000	300,000	280,000	**850,000**	**3,380,000**	**3,378,000**
Direct labor	180,000	175,000	190,000	**545,000**	180,000	133,000	192,000	**505,000**	200,000	190,000	210,000	**600,000**	140,000	190,000	185,000	**515,000**	**2,165,000**	**2,292,000**
Subcontractors	25,000	27,000	23,000	**75,000**	25,000	25,000	25,000	**75,000**	25,000	25,000	25,000	**75,000**	25,000	25,000	25,000	**75,000**	**300,000**	**300,000**
Other direct costs	4,750	4,750	4,750	**14,250**	4,750	4,750	4,750	**14,250**	4,750	4,750	4,750	**14,250**	4,750	4,750	4,750	**14,250**	**57,000**	**57,000**
Overhead	193,520	173,520	173,520	**540,560**	173,020	170,520	175,020	**518,560**	170,520	168,520	173,520	**512,560**	178,520	170,520	181,520	**530,560**	**2,102,240**	**3,305,340**
Total Cost of Sales	684,770	658,770	675,770	**2,019,310**	638,270	633,270	676,770	**1,948,310**	690,270	668,270	693,270	**2,051,810**	618,270	690,270	676,270	**1,984,810**	**8,004,240**	**9,332,340**
Gross Profit	330,230	245,133	486,391	**1,061,754**	653,020	528,891	227,133	**1,409,044**	342,762	623,020	339,762	**1,305,544**	156,504	342,762	615,020	**1,114,286**	**4,890,628**	**2,406,660**
Gross Profit %	**32.53%**	**27.12%**	**41.85%**	**34.46%**	**50.57%**	**45.51%**	**25.13%**	**41.97%**	**33.18%**	**48.25%**	**32.89%**	**38.89%**	**20.20%**	**33.18%**	**47.63%**	**35.96%**	**37.93%**	**20.50%**
Salaries and Wages	150,000	145,000	155,000	**450,000**	135,000	165,000	150,000	**450,000**	145,000	155,000	125,000	**425,000**	150,000	175,000	150,000	**475,000**	**1,800,000**	**1,260,000**
Commissions	15,000	15,000	15,000	**45,000**	15,000	15,000	15,000	**45,000**	15,000	15,000	15,000	**45,000**	15,000	15,000	15,000	**45,000**	**180,000**	**180,000**
Payroll Taxes and Benefits	62,900	62,900	62,900	**188,700**	62,900	62,900	62,900	**188,700**	62,900	62,900	62,900	**188,700**	62,900	62,900	62,900	**188,700**	**754,800**	**216,900**
Advertising and Business Promotion	500	500	500	**1,500**	500	500	500	**1,500**	500	500	500	**1,500**	500	500	500	**1,500**	**6,000**	**6,000**
Temp Agency Expense	2,500	2,500	2,500	**7,500**	2,500	2,500	2,500	**7,500**	2,500	2,500	2,500	**7,500**	2,500	2,500	2,500	**7,500**	**30,000**	**30,000**
Dues and Subscriptions	25	25	25	**75**	25	25	25	**75**	25	25	25	**75**	25	25	25	**75**	**300**	**300**
Insurance Expense	850	850	850	**2,550**	850	850	850	**2,550**	850	850	850	**2,550**	850	850	850	**2,550**	**10,200**	**10,200**
Repairs and Maintenance	150	150	150	**450**	150	150	150	**450**	150	150	150	**450**	150	150	150	**450**	**1,800**	**1,800**
Building Maintenance	150	150	150	**450**	150	150	150	**450**	150	150	150	**450**	150	150	150	**450**	**1,800**	**1,800**
Office Expense	200	200	200	**600**	200	200	200	**600**	200	200	200	**600**	200	200	200	**600**	**2,400**	**2,400**
Professional Services	4,000	4,000	4,000	**12,000**	4,000	4,000	4,000	**12,000**	4,000	4,000	4,000	**12,000**	4,000	4,000	4,000	**12,000**	**48,000**	**48,000**
Professional Services IT	1,500	1,500	1,500	**4,500**	1,500	1,500	1,500	**4,500**	1,500	1,500	1,500	**4,500**	1,500	1,500	1,500	**4,500**	**18,000**	**18,000**
Office Rent	1,500	1,500	1,500	**4,500**	1,500	1,500	1,500	**4,500**	1,500	1,500	1,500	**4,500**	1,500	1,500	1,500	**4,500**	**18,000**	**18,000**
Other Taxes	350	350	350	**1,050**	350	350	350	**1,050**	350	350	350	**1,050**	350	350	350	**1,050**	**4,200**	**4,200**
Automobile Expense	150	150	150	**450**	150	150	150	**450**	150	150	150	**450**	150	150	150	**450**	**1,800**	**1,800**
Telephone Expense	150	150	150	**450**	150	150	150	**450**	150	150	150	**450**	150	150	150	**450**	**1,800**	**1,800**
Travel and Entertainment Expense	900	900	900	**2,700**	900	900	900	**2,700**	900	900	900	**2,700**	900	900	900	**2,700**	**10,800**	**10,800**
Utilities Expense	370	370	370	**1,110**	370	370	370	**1,110**	370	370	370	**1,110**	370	370	370	**1,110**	**4,440**	**4,440**
Freight-Out Expense	500	500	500	**1,500**	500	500	500	**1,500**	500	500	500	**1,500**	500	500	500	**1,500**	**6,000**	**6,000**
Miscellaneous Expense	225	225	225	**675**	225	225	225	**675**	225	225	225	**675**	225	225	225	**675**	**2,700**	**2,700**
Depreciation Expense	500	500	500	**1,500**	500	500	500	**1,500**	500	500	500	**1,500**	500	500	500	**1,500**	**6,000**	**6,000**
Amortization Expense	250	250	250	**750**	250	250	250	**750**	250	250	250	**750**	250	250	250	**750**	**3,000**	**3,000**
General and Administrative Expenses	242,670	237,670	247,670	**728,010**	227,670	257,670	242,670	**728,010**	237,670	247,670	217,670	**703,010**	242,670	267,670	242,670	**753,010**	**2,912,040**	**1,834,140**
Income/(Loss) from Operations	87,560	7,463	238,721	**333,744**	425,350	271,221	(15,537)	**681,034**	105,092	375,350	122,092	**602,534**	(86,166)	75,092	372,350	**361,276**	**1,978,588**	**572,520**
Income/(Loss) from Operations Percent	**8.63%**	**0.83%**	**20.54%**	**10.83%**	**32.94%**	**23.34%**	**-1.72%**	**20.28%**	**10.17%**	**29.07%**	**11.82%**	**17.95%**	**-11.12%**	**7.27%**	**28.84%**	**11.66%**	**15.34%**	**4.88%**
Other Income/(Expense)																		
Interest Expense	(1,125)	(1,085)	(1,105)	**(3,315)**	(1,075)	(1,275)	(1,035)	**(3,385)**	(1,195)	(930)	(875)	**(3,000)**	(975)	(925)	(825)	**(2,725)**	**(12,425)**	**(13,500)**
Interest Income	500	500	500	**1,500**	500	500	500	**1,500**	500	500	500	**1,500**	500	500	500	**1,500**	**6,000**	**6,000**
Management Fee Income	5,000	5,000	5,000	**15,000**	5,000	5,000	5,000	**15,000**	5,000	5,000	5,000	**15,000**	5,000	5,000	5,000	**15,000**	**60,000**	**60,000**
Rental Income	12,500	12,500	12,500	**37,500**	12,500	12,500	12,500	**37,500**	12,500	12,500	12,500	**37,500**	12,500	12,500	12,500	**37,500**	**150,000**	**150,000**
Other income	2,900	2,900	2,900	**8,700**	2,900	2,900	2,900	**8,700**	2,900	2,900	2,900	**8,700**	2,900	2,900	2,900	**8,700**	**34,800**	**34,800**
Total Other Income/(Expense)	19,775	19,815	19,795	**59,385**	19,825	19,625	19,865	**59,315**	19,705	19,970	20,025	**59,700**	19,925	19,975	20,075	**59,975**	**238,375**	**237,300**
Net Income/(Loss)	$ 107,335	$ 27,278	$ 258,516	**$ 393,129**	$ 445,175	$ 290,846	$ 4,328	**$ 740,349**	$ 124,797	$ 395,320	$ 142,117	**$ 662,234**	$ (66,241)	$ 95,067	$ 392,425	**$ 421,251**	**$ 2,216,963**	**$ 809,820**
Net Income/(Loss) Percent	**10.57%**	**3.02%**	**22.24%**	**12.76%**	**34.48%**	**25.03%**	**0.48%**	**22.05%**	**12.08%**	**30.61%**	**13.76%**	**19.72%**	**-8.55%**	**9.20%**	**30.39%**	**13.59%**	**17.19%**	**6.90%**

	January 2024	February 2024	March 2024	**1st Quarter 2024**	April 2024	May 2024	June 2024	**2nd Quarter 2024**	July 2024	August 2024	September 2024	**3rd Quarter 2024**	October 2024	November 2024	December 2024	**4th Quarter 2024**	**YTD 2024**	**YTD 2023**
Net Income/(Loss)	$ 107,335	$ 27,278	$ 258,516	**393,129**	$ 445,175	$ 290,846	$ 4,328	**740,349**	$ 124,797	$ 395,320	$ 142,117	**662,234**	$ (66,241)	$ 95,067	$ 392,425	**421,251**	**$ 2,216,963**	**$ 809,820**
Interest	1,125	1,085	1,105	**3,315**	1,075	1,275	1,035	**3,385**	1,195	930	875	**3,000**	975	925	825	**2,725**	**12,425**	**13,500**
Taxes	-	-	-	**-**	-	-	-	**-**	-	-	-	**-**	-	-	-	**-**	**-**	**-**
Depreciation	8,500	8,500	8,500	**25,500**	8,500	8,500	8,500	**25,500**	8,500	8,500	8,500	**25,500**	8,500	8,500	8,500	**25,500**	**102,000**	**83,460**
Amortization	250	250	250	**750**	250	250	250	**750**	250	250	250	**750**	250	250	250	**750**	**3,000**	**3,750**
EBITDA	$ 117,210	$ 37,113	$ 268,371	**$ 422,694**	$ 455,000	$ 300,871	$ 14,113	**$ 769,984**	$ 134,742	$ 405,000	$ 151,742	**$ 691,484**	$ (56,516)	$ 104,742	$ 402,000	**$ 450,226**	**$ 2,334,388**	**$ 910,530**

KEY METRICS

- Metrics can be very useful and provide a picture of the company's financial health.
- Metrics provide a measure for trends, potential problems, areas needing improvement or doing very well.

Example Actual Gross Profit Percentage to Budgeted Gross Profit Percentage

TRENDS

	January 2024	January Budget	February 2024	February Budget	March 2024	March Budget	1st Quarter 2024	1st Quarter Budget	April 2024	April Budget	May 2024	May Budget	June 2024	June Budget	2nd Quarter 2024	2nd Quarter Budget
Net Revenues	$ 1,015,000	$ 960,000	$ 903,903	$ 1,080,000	$ 1,162,161	$ 990,000	**$ 3,081,064**	**$ 3,030,000**	$ 1,291,290	$ 1,020,000	$ 1,162,161	$ 1,080,000	$ 903,903	$ 960,000	**$ 3,357,354**	**$ 3,060,000**
Net Revenues Percent of T	**7.87%**	**8.00%**	**7.01%**	**9.00%**	**9.01%**	**8.25%**	**23.89%**	**25.25%**	**10.01%**	**8.50%**	**9.01%**	**9.00%**	**7.01%**	**8.00%**	**26.04%**	**25.50%**
Cost of Sales																
Direct Materials	281,500	295,448	278,500	332,379	284,500	304,681	**844,500**	**932,508**	255,500	313,914	300,000	332,379	280,000	295,448	**835,500**	**941,741**
Direct labor	180,000	175,200	175,000	197,100	190,000	180,675	**545,000**	**552,975**	180,000	186,150	133,000	197,100	192,000	175,200	**505,000**	**558,450**
Subcontractors	25,000	24,536	27,000	27,603	23,000	25,303	**75,000**	**77,442**	25,000	26,070	25,000	27,603	25,000	24,536	**75,000**	**78,209**
Other direct costs	4,750	4,664	4,750	5,247	4,750	4,810	**14,250**	**14,721**	4,750	4,956	4,750	5,247	4,750	4,664	**14,250**	**14,867**
Overhead	193,520	203,104	173,520	228,492	173,520	209,451	**540,560**	**641,047**	173,020	215,798	170,520	228,492	175,020	203,104	**518,560**	**647,394**
Total Cost of Sales	684,770	702,952	658,770	790,821	675,770	724,919	**2,019,310**	**2,218,692**	638,270	746,887	633,270	790,821	676,770	702,952	**1,948,310**	**2,240,660**
~~Gross Profit~~	~~330,230~~	~~257,948~~	~~245,133~~	~~299,179~~	~~499,391~~	~~265,881~~	~~**1,061,754**~~	~~**841,308**~~	~~653,020~~	~~273,111~~	~~528,891~~	~~299,179~~	~~227,133~~	~~257,948~~	~~**1,409,044**~~	~~**849,344**~~
Gross Profit %	**32.53%**	**26.78%**	**27.12%**	**26.78%**	**41.85%**	**26.78%**	**34.46%**	**26.78%**	**50.57%**	**26.78%**	**45.51%**	**26.78%**	**25.13%**	**26.78%**	**41.97%**	**26.78%**

KEY METRICS (CONTINUED)

- Help manage cash, collections, payments, inventories, growth and debt.
- Can use to benchmark against others in the industry

METRICS	January 2024	February 2024	March 2024	April 2024	May 2024	June 2024	July 2024	August 2024	September 2024	October 2024	November 2024	December 2024	Year End 2023	Budget 2024
Quick Ratio	0.96	0.97	0.80	0.65	0.82	0.82	0.70	0.67	0.71	0.62	0.64	0.68	0.65	0.97
Current Ratio	1.94	2.05	1.72	1.56	1.83	1.94	1.73	1.77	1.74	1.64	1.57	1.73	1.40	2.10
A/R turnover	9.60	9.88	11.31	12.70	13.47	13.52	15.03	16.74	17.35	18.50	19.34	18.82	18.66	8.13
A/R Number of Days	38.03	36.93	32.26	28.75	27.09	26.99	24.28	21.81	21.03	19.73	18.87	19.40	19.56	44.91
Inventory turnover	7.00	6.83	7.51	7.30	7.93	8.20	8.91	8.61	9.30	9.67	10.00	11.13	12.00	5.78
Inventory Number of Days	52.14	53.40	48.58	49.99	46.00	44.51	40.99	42.38	39.25	37.76	36.50	32.78	30.43	63.16
Return on Fixed Assets	3.01%	3.80%	11.15%	23.84%	32.53%	32.70%	36.41%	48.27%	53.03%	51.08%	54.94%	66.36%	22.18%	24.72%
A/P turnover	9.54	11.86	10.81	10.43	11.48	13.30	12.17	12.75	12.79	12.05	13.33	14.45	14.36	9.81
A/P Number of Days	38.26	30.77	33.76	35.01	31.81	27.44	30.00	28.64	28.53	30.28	27.39	25.26	25.42	37.20
Return on Equity	2.63%	3.16%	10.06%	22.27%	28.31%	26.87%	31.30%	40.90%	45.93%	44.40%	51.11%	55.20%	7.03%	-0.04%
Debt to Equity	0.30	0.30	0.33	0.33	0.30	0.29	0.32	0.30	0.29	0.31	0.34	0.29	1.47	0.31

Key Ratios		2023	2024	Low	Med	High
Current Ratio	Higher is normally better	1.40	1.94	<1.25	1.25 - 2.5	>2.5
Inventory turnover	Higher is normally better	12.00	7.00	<3.0	3.0 - 5.5	>5.5
Days Inventory	Lower is normally better	30.43	52.14	<60	60 - 80	>80
A/R Turnover	Higher is normally better	18.66	9.60	<8.3	8.3 - 12	>12
A/R Days Receivable	Lower is normally better	19.56	38.03	<35	35-50	>50
A/P Turnover	Higher is normally better	14.36	9.54	<6	6 - 14	>14
A/P Days Payable	Lower is normally better	25.42	38.26	<25	25-50	>50
Return on Equity	Higher is normally better	7.03%	2.63%	<8.00%	8.00 - 20.00%	>20.00%
Gross Profit	Higher is normally better	0.21	0.38	<24.00%	24.00- 28.00%	>28.00%

***Metrics are tools and not absolute one company's metric vs another may be misleading for a number of reasons.

- I.E. one company may just be a single entity and the other may have multiple entities allowing for the spreading of costs over more entities. Thus, if the entity that has multiple entities provides metrics for the entity you want to compare too it would lack comparability.

Cash Flow Management

- Cash flow management is essential for all businesses ….

  it ensures a steady inflow and outflow of funds, enabling businesses to collect receivables timely and to pay expenses timely, service financial obligations and fund capitalize growth opportunities

- Cash Inflows

  include cash sales, payments from customers, interest on savings, bank loans, and shareholder investments.

- Cash outflows

  are in the form of raw material purchases, salary payments, rent expenses, taxes and etc.

Cash Flow Management Components

- Cash on hand
- Cash in reserves
- Investments
- Receivables
- Payables
- Line of credit
- Letter of credit
- Bridge or conversation loan
- Finance (equipment) debt
- Right of use leases and short-term leasing
- Long-term debt
- Private equity or venture capital debt
- Shareholder debt
- Profit and Losses from Operations

CASH FLOW MANAGEMENT (CONTINTUED)

Example cash flow statement (sources and uses)

	January	February	March	April	May	June	July	August	September	October	November	December
Cash Flows From Operating Activities:												
Net Income/(Loss)	$ 107,335	$ 27,278	$ 258,516	$ 445,175	$ 290,846	$ 4,328	$ 124,797	$ 395,320	$ 142,117	$ (66,241)	$ 95,067	$ 392,425
Adjustments to reconcile change to net cash provided by operating activities:												
Depreciation	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500
Amortization	250	250	250	250	250	250	250	250	250	250	250	250
Changes in operating assets and current liabilities:												
Accounts receivable	29,000	(53,000)	72,000	41,000	(13,000)	(62,000)	66,000	53,000	(16,000)	35,000	(1,000)	(102,000)
Receivable from Affiliates	5,000	(500)	(500)	(1,500)	2,000	(2,000)	(1,500)	500	1,500	(2,500)	4,000	(4,500)
Inventories	125,000	(131,000)	51,000	(131,000)	51,000	(31,000)	51,000	(131,000)	51,000	(1,000)	(14,000)	109,000
Prepaid Expenses	75,500	(40,000)	(40,000)	(120,000)	160,000	(160,000)	(120,000)	40,000	120,000	(200,000)	320,000	(360,000)
Other current assets	194,063	(5,091)	(5,091)	(15,272)	20,363	(20,363)	(15,273)	5,091	15,272	(25,454)	40,727	(45,818)
Prepaid Corporate Taxes	6,000	(600)	(600)	(1,800)	2,400	(2,400)	(1,800)	600	1,800	(3,000)	4,800	(5,400)
Other assets	22,000	(1,500)	(1,500)	(5,500)	8,500	(7,500)	(5,500)	2,500	6,500	(9,500)	16,500	(17,500)
Accounts payable	(300,000)	(150,000)	150,000	100,000	(50,000)	(100,000)	150,000	-	50,000	125,000	(75,000)	(50,000)
Accrued payroll and benefits	2,800	6,000	12,000	12,000	6,000	6,000	12,000	12,000	6,000	12,000	12,000	3,500
Accrued expenses	(23,500)	2,350	2,350	7,050	(9,400)	9,400	7,050	(2,350)	(7,050)	11,750	(18,800)	21,150
Deferred Revenues	(75,000)	75,000	75,000	225,000	(300,000)	-	-	-	-	-	-	-
Advances/Deposits	(150,000)	15,000	15,000	45,000	(60,000)	60,000	45,000	(15,000)	(45,000)	75,000	(120,000)	135,000
Net Cash Provided By/(Used In) Operating Activities	26,948	(247,313)	596,925	608,903	117,459	(296,785)	320,524	369,411	334,889	(40,195)	273,044	84,607
Cash Flows From Investing Activities:												
Investments	77,102	(8,000)	(8,320)	(8,653)	(8,999)	(9,359)	(9,733)	(10,122)	(10,528)	(10,948)	(11,387)	(11,842)
(Purchase) of fixed assets	(8,750)	-	(400,000)	(250,000)	-	-	(100,000)	-	-	-	(125,000)	-
Net Cash Provided By/(Used In) Investing Activities	68,352	(8,000)	(408,320)	(258,653)	(8,999)	(9,359)	(109,733)	(10,122)	(10,528)	(10,948)	(136,387)	(11,842)
Cash Flows From Financing Activities:												
Net (payments)/proceeds from short-term borrowings	(300,000)	216,313	(152,605)	(386,250)	(79,960)	271,644	(171,791)	(401,289)	(294,361)	93,143	(189,157)	(24,765)
Net (payments)/proceeds on notes payable debt	78,100	(7,100)	(7,100)	(7,100)	(7,100)	(7,100)	(7,100)	(7,100)	(7,100)	(7,100)	(7,100)	(7,100)
Net (payments)/proceeds on finance leases	(2,400)	(2,400)	(2,400)	(2,400)	(2,400)	(2,400)	(2,400)	(2,400)	(2,400)	(2,400)	(2,400)	(2,400)
Distributions	-	-	-	-	-	-	-	-	-	-	-	-
Net Cash Provided By/ (Used In) Financing Activities	(224,300)	206,813	(162,105)	(395,750)	(89,460)	262,144	(181,291)	(410,789)	(303,861)	83,643	(198,657)	(34,265)
Net Change in Cash and Equivalents	(129,000)	(48,500)	26,500	(45,500)	19,000	(44,000)	29,500	(51,500)	20,500	32,500	(62,000)	38,500
Cash and Equivalents - Beginning of Year	452,500	323,500	275,000	301,500	256,000	275,000	231,000	260,500	209,000	229,500	262,000	200,000
Cash and Equivalents - End of Year	$ 323,500	$ 275,000	$ 301,500	$ 256,000	$ 275,000	$ 231,000	$ 260,500	$ 209,000	$ 229,500	$ 262,000	$ 200,000	$ 238,500
Supplemental Disclosure of Cash Flow Information												
Cash paid during the year for:												
Interest	$ 1,125	$ 1,085	$ 1,105	$ 1,075	$ 1,275	$ 1,035	$ 1,195	$ 930	$ 875	$ 975	$ 925	$ 825

Adequate Accounting Support (In-house and/or Outsourced)

- In-house full accounting staff
  - Optimal for larger companies that required full staffing. The need supports the additional cost
  - Based on accounting industry trends it may be difficult to get full staffing
- Hybrid in-house and outsourced accountants
  - One or two in-house accountants (billings, payables, payroll)
  - Outsourced support for advisory, month/year-end closing and reporting
  - Technology has provided the ability to integrate in-house and outsourced.
- Outsourced accounting
  - Becoming more necessary is completely outsourcing the accounting function due to market trends in accounting field
  - Technology is critical in this approach

Automation and Artificial Intelligence

- Integrated software – bridging or connected software to make the process automated
  - Examples - Time keeping, job cost systems or point of sales
- Big data – Tools like PowerBi – provides the ability to make static data interactive through and automated process
- Artificial intelligence in accounting – Benefits and uses
  - automate and streamline routine tasks
  - real time reporting
  - predictive analytics for budget forecasting
  - efficient data analyzed and business intelligence
  - improving internal auditing, compliance and assisting with reducing fraud risk

Automation and Artificial Intelligence

- Artificial intelligence in accounting – What are that challenges?
  - data security and privacy
  - ethical considerations – inherent bias from human creation
  - skills and knowledge gap
  - integration challenges
  - and the ever presence resistance to adoption

- Artificial intelligence in accounting – Will AI replace accountants?
  - not anytime soon. AI is tools for accountants to improve operational efficiency and accuracy
  - is expected to transform the profession overtime
  - in that there more of a collaboration between accountants and AI systems
  - training is required by accountants to gain an understanding AI usage

Automation and Artificial Intelligence

- Artificial intelligence sounds good but…
  - not reliable for underlying understanding of accounting constraint or concepts
    - materiality, conservatism, consistency, cost benefit constraints and verifiable and objective evidence accounting concepts
  - AI can process and analyze data at an unprecedented scale but will not replace human judgement and expertise in complex decision making, especially in ambiguous situations
  - is not an authoritative source for accounting standards
- Artificial intelligence however…
  - we have embraced a lot of technology over the years. Many that have greatly improved our businesses and lives. AI is has a lot of potential to do the same.

WESSEL & COMPANY
ACCOUNTANTS & ADVISORS

Nuggets of Knowledge

Presented by: *Patti Hudson, CPA*

Nuggets of Knowledge

- Department of Labor New Wage Rules
- Beneficial Ownership Information (BOI) Reporting Requirements
- QuickBooks Desktop
- Employee Retention Credit Status

Future Customized Accounting Solution Education Series Examples

Advisory Services Topics:

- Budget and Forecasting
- Job profitability analysis
- Revenue recognition
- Payroll Compliance
- Inventories management
- Funding strategies
- Indirect Rates and Costing Rollup

Technical Services Topics:

- QuickBooks Setup
- Proper chart of accounts
- Invoicing procedures
- Entering payables