Entrepreneur & Family
BUSINESS COUNCIL

# From Numbers to Know-How:

## Financial Skills Every Business Owner Needs

**Presented by Amy Langfelder, Principal at Cray Kaiser**

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# Presenter Intro

Amy Langfelder joined Cray Kaiser in 1995, after working for a year in the industry at an IBM joint venture. In 2017, Amy became a CK Principal. In addition to her work as an assurance principal, she builds client relationships while leading and developing our client accounting advisory services (CAAS).

As she sees it, most certified public accounting practitioners can sufficiently manage matters of compliance. But the real power of the accounting discipline lies in expanding clients' financial literacy so that they may more effectively lead their businesses.

Memberships: Vistage, ProVisors, CAAS Accelerator, Big I and formerly served on various boards and finance committees

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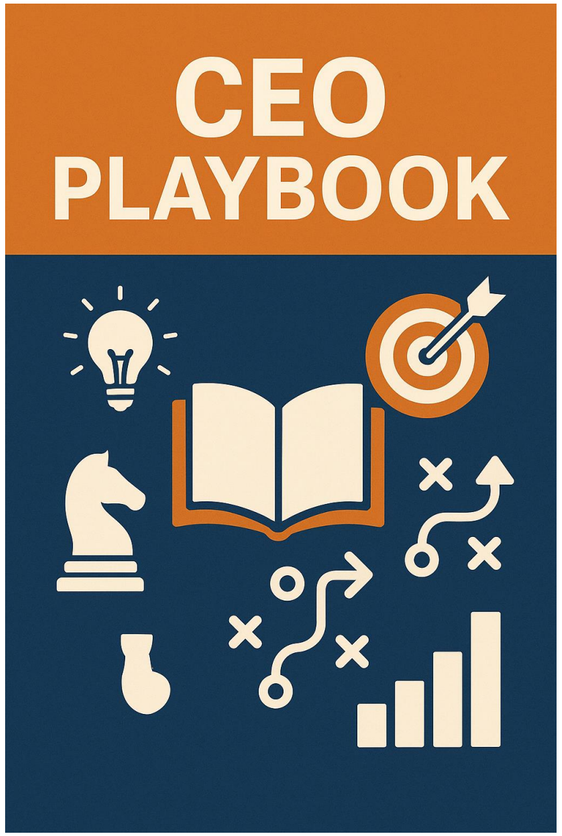
# Designing Your Business Playbook in Numbers

# Balance Sheet

- Snapshot of business health at a point in time
- **Assets:** What you own, liquidity
- **Liabilities:** What you owe
- **Equity:** Net worth of the business
- **Key Question:** Is my business healthy today?

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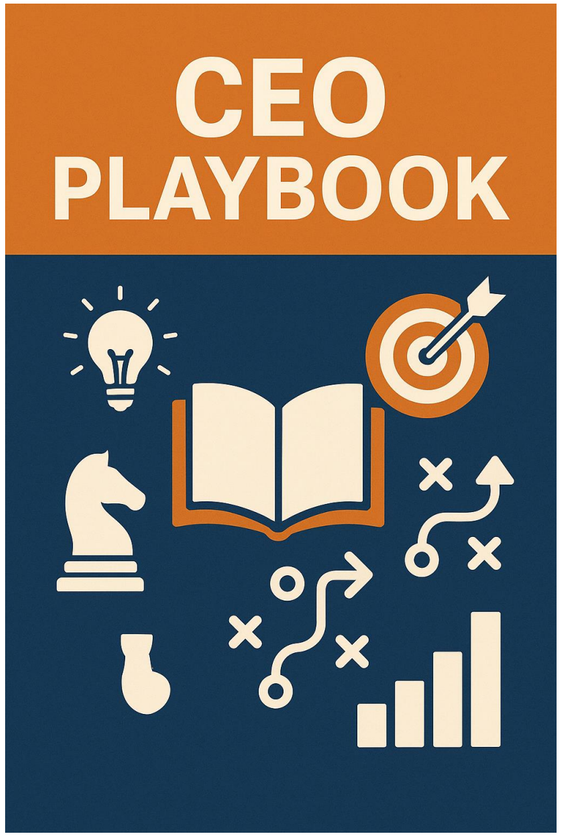
# Income Statement (P&L)

- Performance over a period of time
- Revenues - Expenses = Profit or Loss
- **Focus:** Gross Margin (Revenue - COGS)
- Net Income = Gross Margin - Operating Costs
- Use comparative data for better analysis
- **Key Question:** Is my business making money?

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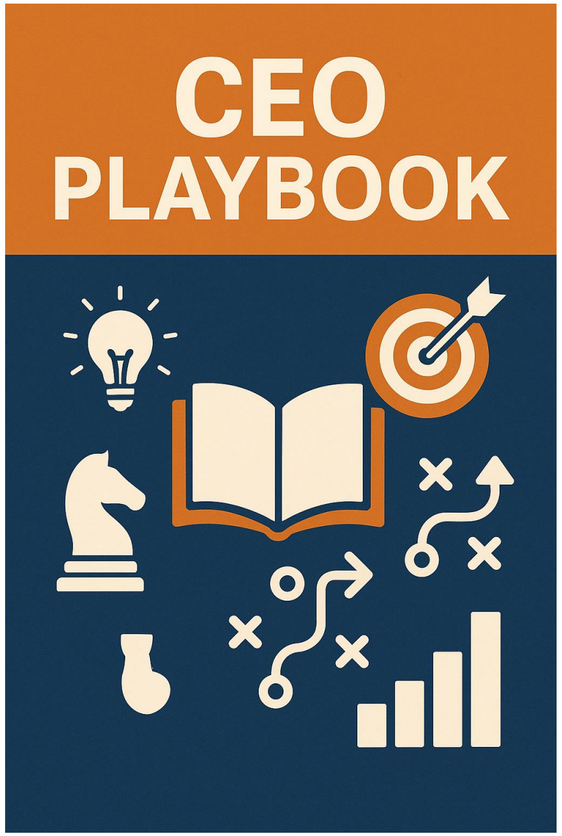
# Cash Flow

- Tracks how money is used over a period
- **Operating:** Day-to-day activity
- **Investing:** Equipment, assets
- **Financing:** Loans, equity
- **Key Question:** Where did my money go?

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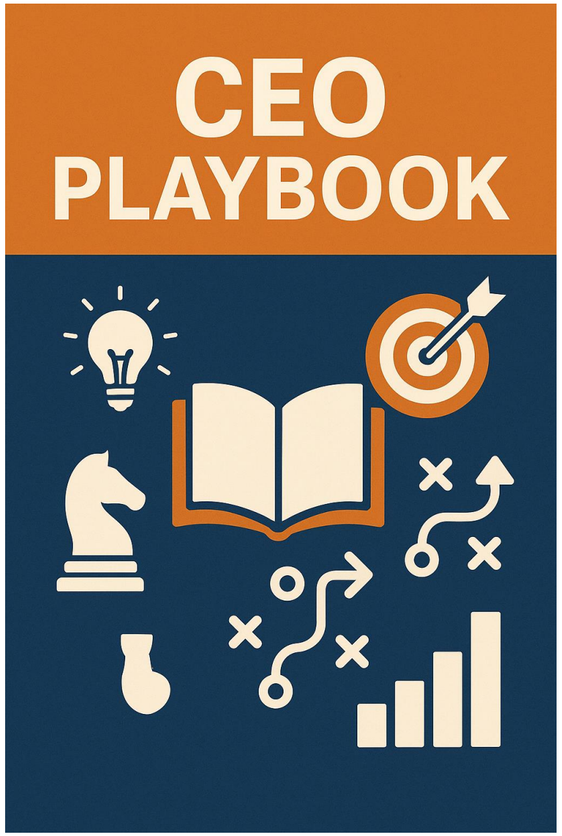
# Identifying Errors

- Negative Assets with Credit Balance
- Negative Liabilities with Debit Balance
- Cash balances inconsistent with bank
- Unreasonable increase in assets over time
- Unreasonable decrease in liabilities over time
- Accounts payable shows zero

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# Measuring What Matters

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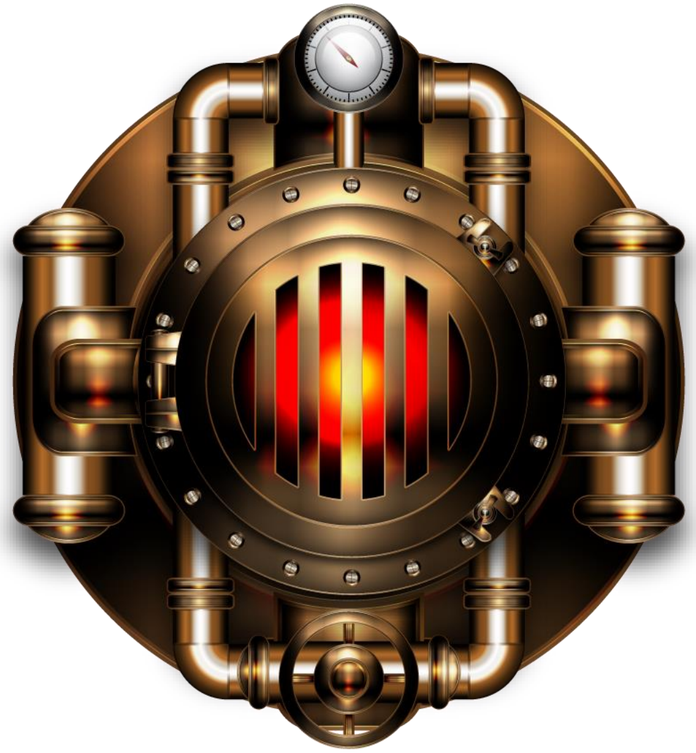
- KPIs: Is my business on track?
- Quick dashboard: 3-5 unique metrics
- Easy to calculate and track over time
- Examples:
  - Gross Margin %, Units Produced, Sales per Employee
  - Raw Material %, Inventory Turnover
  - Receivable Turnover, AR Aging %, Labor Cost %, Collections $

# Your Financial Engine Room

- Accounting software is the hub
- General ledger integrates all transactions
- Automation:
  - Accounts Payable
  - Payroll
  - Spend Management
  - Inventory
  - Banking
  - Accounts Receivable
- Reporting:
  - Dashboards and KPIs
  - Financial statements



# Accounting Software as the Hub of Financial Management

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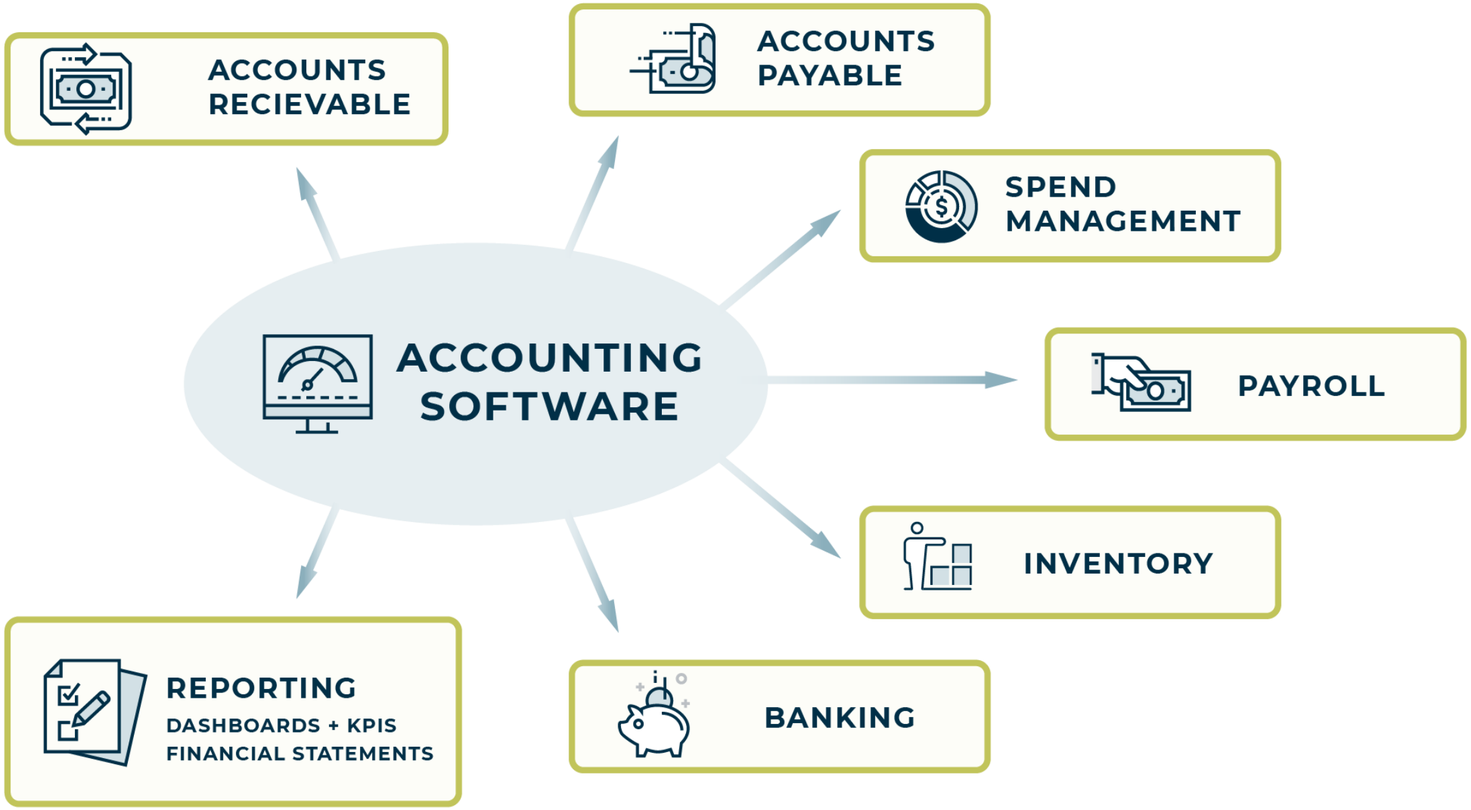

# What should your KPIs Look like?

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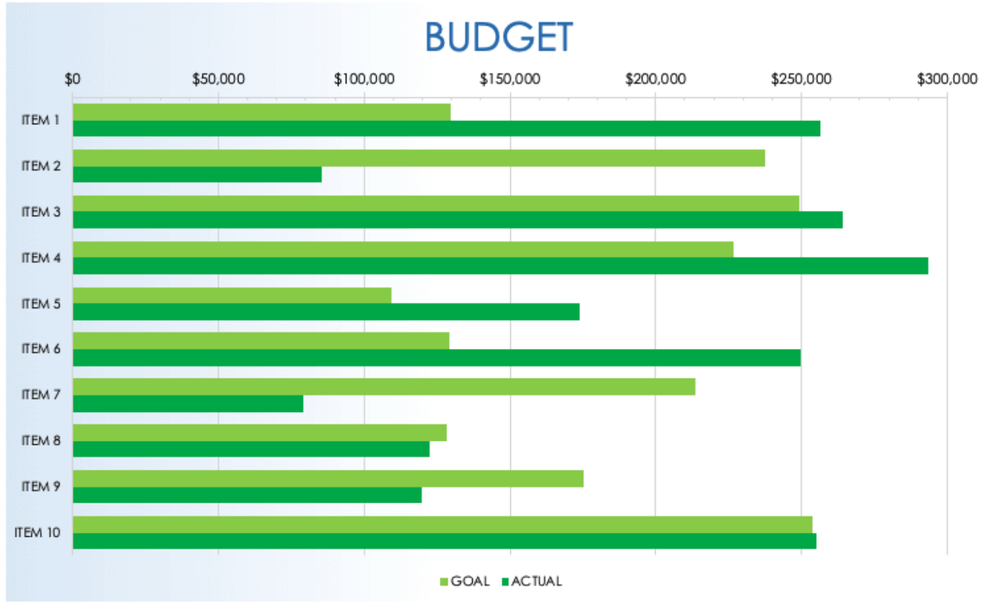
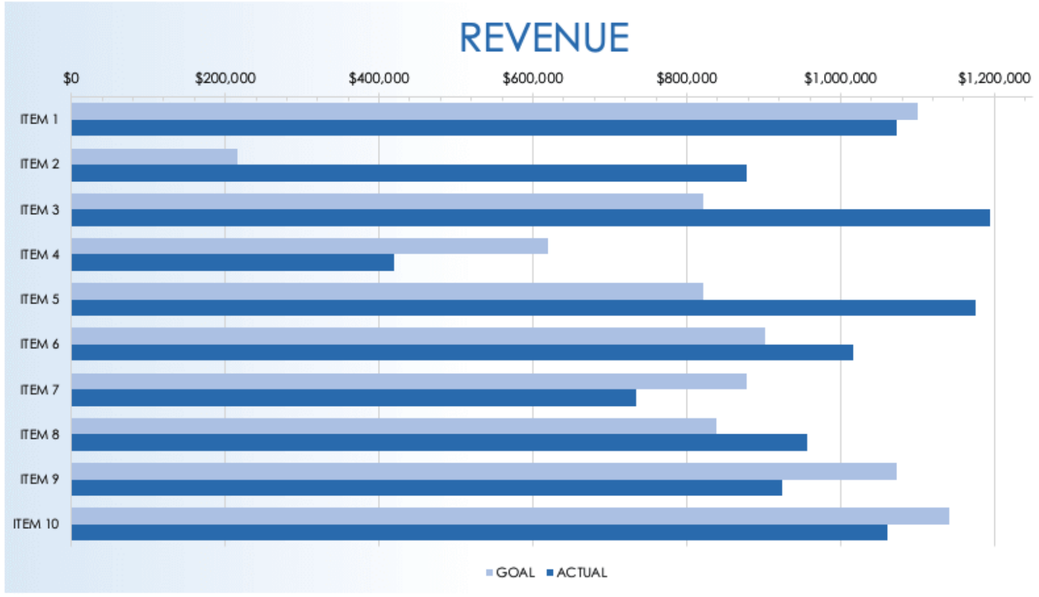
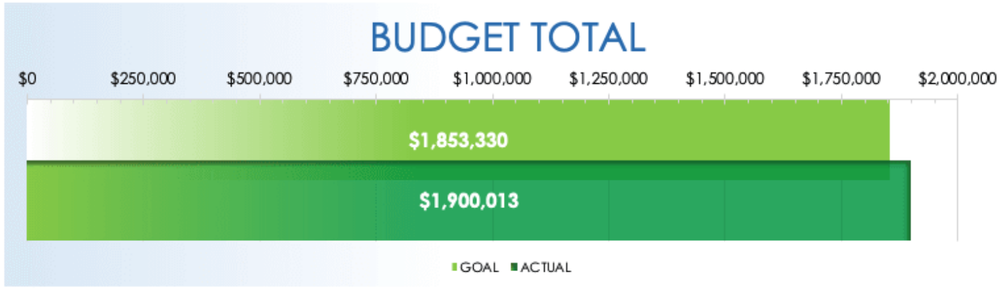
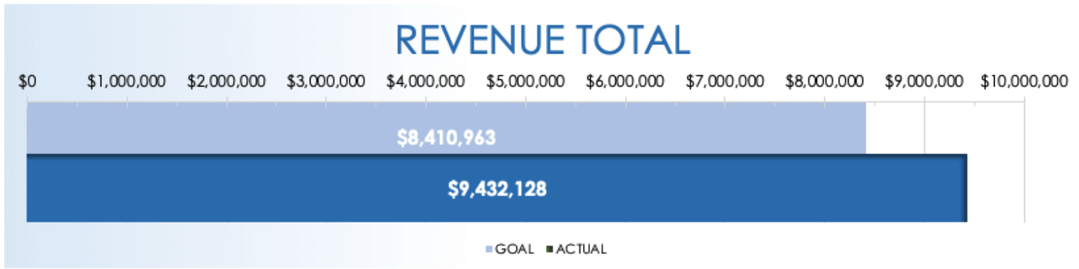
## SIMPLE KPI DASHBOARD TEMPLATE EXAMPLE



# What should your KPIs Look like?

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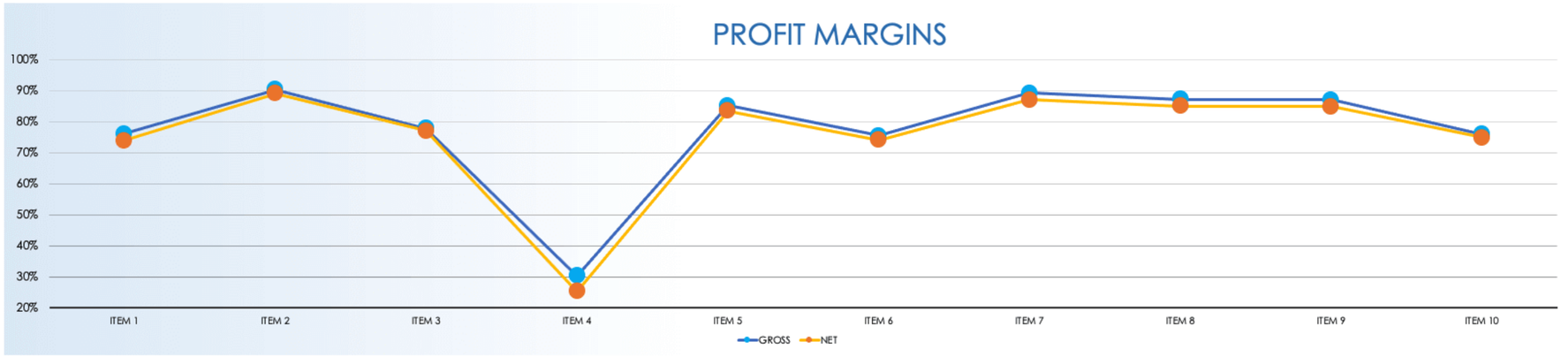
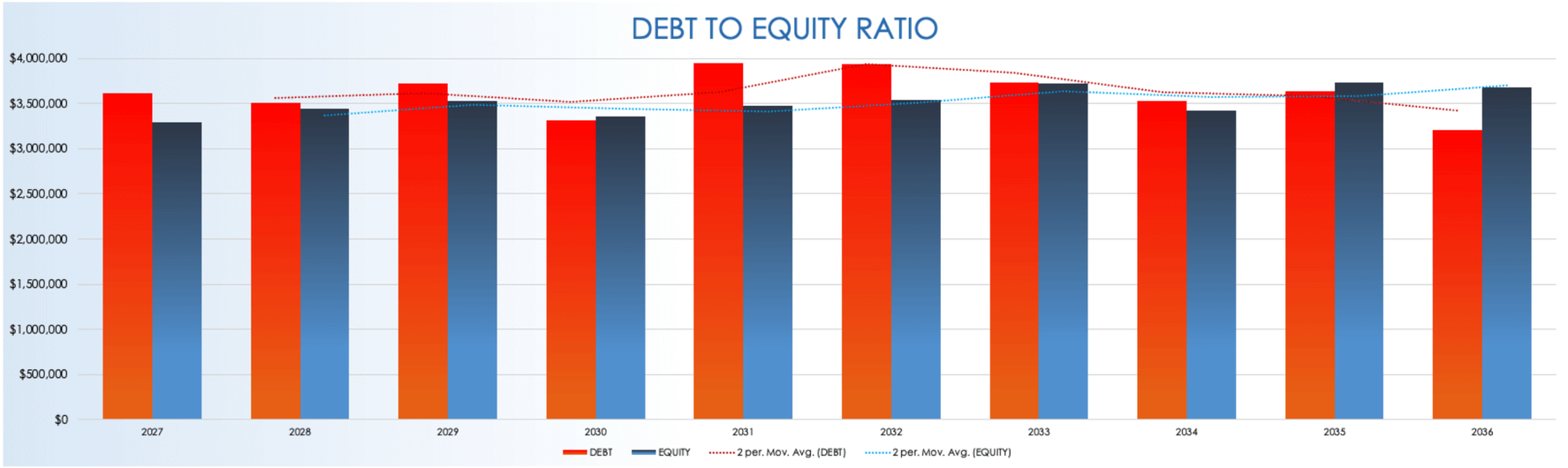
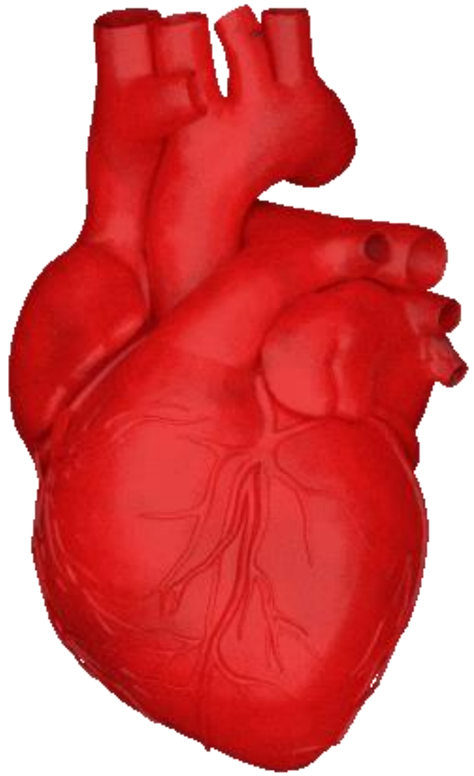


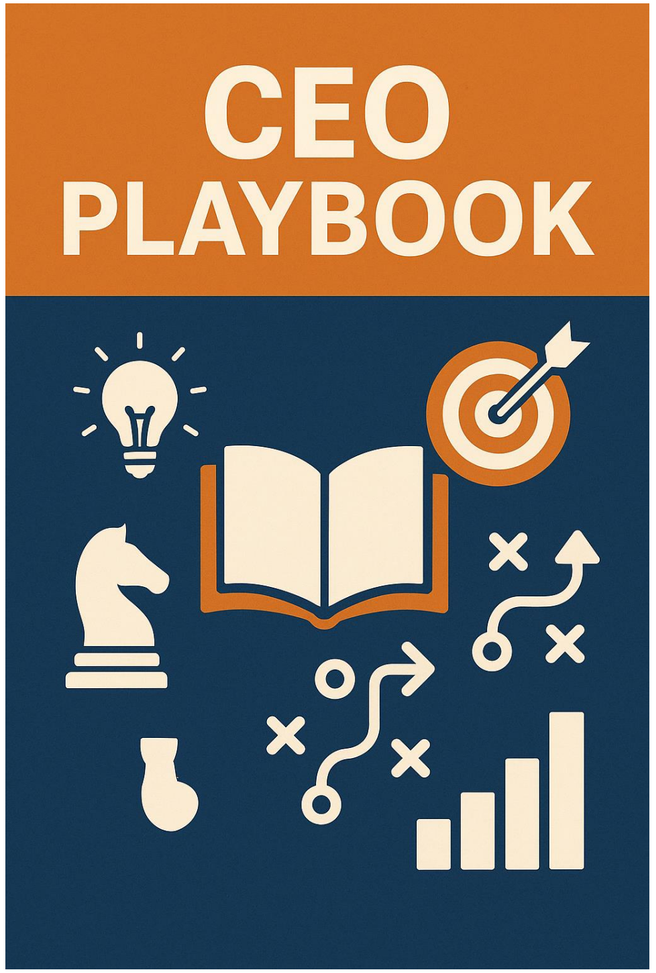
# Cash - The Lifeblood of Your Business

- Plan for short- and long-term
- Identify financing needs
- Manage business cycle ups and downs
- Minimize surprises and emergencies
- Strategically plan growth and resources
- Tools:
  - Accounting software
  - Excel
  - Apps



# Writing Your Winning Playbook

- Understand your financial statements
- Track and benchmark meaningful KPIs
- Build systems to simplify operations
- Forecast cash flow to avoid surprises

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# Entity Selection and Taxation:
## A Practical Guide

**Presented by Karen Snodgrass, Principal at Cray Kaiser**

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**KAREN SNODGRASS**

**CRAY KAISER, Principal**

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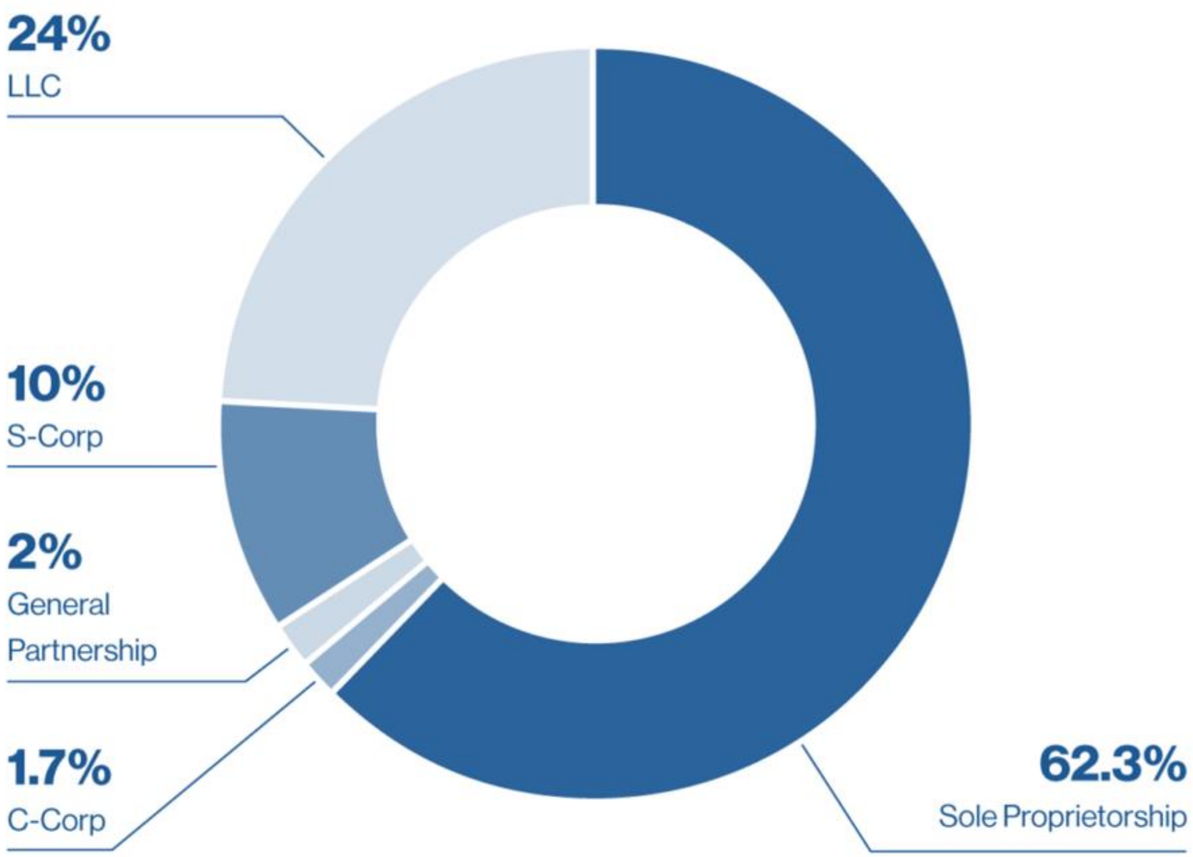
# Presenter Intro

Karen Snodgrass oversees Cray Kaiser's tax division, with niche expertise in closely held and family-owned businesses. In her tax planning work, she minimizes liability at the entity and individual level by helping clients think through the tax implications of their decisions throughout the year.

Having successfully navigated evolving tax codes for 30-plus years—more than 25 of which she spent at Cray Kaiser—Karen leads seminars on tax law updates at the firm.




# U.S. Business Structures

The overwhelming majority—more than 6 in 10 businesses—are sole proprietorships, reflecting how many small businesses start out in the simplest legal form.

LLCs follow at 24%, offering liability protection and tax flexibility.

S-corporations make up 10%, appealing to owners who want pass-through taxation while also reducing self-employment tax.

C-corporations represent less than 2%, typically chosen by larger companies that need outside investors, stock options, or the ability to attract foreign ownership.

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# About a Sole Proprietorship

- Income reported on personal tax return (Schedule C)

- Pro:
  - ✓No separate business tax filing required

- Cons:
  - ✓Higher audit risk
  - ✓All net income subject to SE tax

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# About a Partnership

- Files informational return
- Profits pass through to partners

- Pros:
  - ✓Most flexible in allocations
  - ✓ Liability protection

- Cons:
  - ✓Active members' income subject to SE tax
  - ✓No W2 for owner

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# About an S-Corporation

- Pass-through entity
- Owners report pro-rata share of income

- Pros:
  - ✓Owners take salary (W2)
  - ✓Net income not subject to SE tax

- Cons:
  - ✓Ownership limitations

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# About a C-Corporation

- Not a pass-through entity

- Pros:
  - ✓Ownership includes other corporations & foreign owners

- Cons:
  - ✓Double taxation – corporate and shareholder level

# About an LLC

- Can be taxed as a:

  - ✓Sole Proprietorship
  - ✓Partnership
  - ✓Corporation

| LEGAL STRUCTURE | $ TAXATION $ | | |
|---|---|---|---|
| | PARTNERSHIP | S-CORP | C-CORP |
| **Partnership** (GP, LP, OR LLP) | DEFAULT | ✕ | ✕ |
| **LLC** | DEFAULT | SPECIAL ELECTION | SPECIAL ELECTION |
| **Corporation** | ✕ | SPECIAL ELECTION | DEFAULT |

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# Paying Taxes During the Year

IRS/state requires estimated payments during the year.

Due dates: April 15, June 15, September 15, January 15

Includes: Income tax + SE tax
W2 withholding reduces quarterly estimates

Corporations also subject to quarterly requirements

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# How Much to Pay

Rule of thumb: 20-30% of income

Interim tax projections at least once/year

Use good financial statements

Watch tax brackets, cash flow, & timing

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# Common Tax Strategies

| | |
|---|---|
| Retirement Plans | Tax-deferred contributions |
| Accelerated Depreciation | Section 179 / bonus depreciation |
| Section 1031 Exchange | Tax free trade of real estate |

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# Most Costly Tax Mistakes

### Tax Audits Due to Poor Records

Incomplete or missing business documentation can prevent the statute of limitations from starting, exposing businesses to extended IRS scrutiny.

### Ignoring IRS Notices

Failure to respond to tax notices often escalates issues into penalties or full audits, increasing financial exposure and stress.

### Payroll Tax Missteps

Failing to deposit payroll taxes or neglecting owner responsibility can result in hefty penalties and personal financial liability.

### Lack of Tax Planning

Without proactive planning, businesses miss out on deductions, deferments, and compliance strategies that reduce taxable income.

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# Presenter Contact Info

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