



Business Benefits

- ◆ The client was able to reduce its payables from 120 days past due to current within 7 months allowing them to resume normal credit terms with all vendors.
- ◆ Significant increase in operating cash flow.
- ◆ Able to re-focus on growing the business and achieving its Mission Statement.
- ◆ Able to initiate and re-build savings reserves after 9 months of FMS service.
- ◆ After one year the client was able to hire new key staff to further assist with business expansion.
- ◆ During the middle of year two the bank deemed the company in good standing and was able to renew outstanding loans on favorable market rate terms.

Company Fast Facts

- ◆ Industry: Services
- ◆ Headquarters/Location: Baltimore, MD
- ◆ Company Description: Service and Development Corporation.

Business Challenges

- ◆ After many successful years, a service company with annual revenues of nearly \$5 million, has a significant decline in top line revenues of slightly more than 20%. Compounded by the 2008 economic crisis, the company now finds itself in a major debt dilemma
- ◆ The prior financial team including the CFO and internal and external accountant left the organization shortly after 2008 leaving the company without proper internal financial controls.
- ◆ Management became concerned about the quality of its remaining financial team and consistency of service by the newly hired outside accounting firm.
- ◆ Financial reporting was two years behind schedule and as a result created an adverse relationship with their lender regarding important investment property and other asset holdings.

Business Solutions

- ◆ Conducted a review and analysis of current cash-flow, projected cash flows (both present and past due expenses along with historical and present revenues including sources), and examined the balance sheet for liquidity and potential repositioning of assets.
- ◆ Provided CFO and comptroller type financial oversight services for the client including assistance with assessment of potential large expenditures, financial management of cash and other assets, and evaluation of budgets.
- ◆ A debt elimination strategy was developed and implemented over an 8 month period to pay off all past due obligations and keep re-occurring expenses current.
- ◆ On the client's behalf, began direct negotiations with the lender and provided current financial reporting to demonstrate to the bank that all loans can be rated in good standing.
- ◆ Assisted the client in right-sizing the business including reduction of redundant staffing and expenses, as well as tighter restrictions on new expenditures.
- ◆ Assisted the client in establishing internal financial controls and appropriate cash-management procedures.
- ◆ Performed a confidential search and helped the client select and hire a new internal financial team including bookkeeping, accounts payable and an external accountant.

Fiscal Reorganization

FMS was approached on a confidential basis to assist a well established service organization that had sustained multiple challenges to its business. The issues, though latent for years, were exacerbated by the 2008 economic recession and its according financial impact on the company. The company is organized into two core units; one serving as a development corporation, and the other as a service provider with a membership component.

Membership had begun to decline in early 2008 (the year prior to our engagement) and continued to significantly lose members through 2009. Macroeconomic factors impacted both the contributions of existing members as well as the company's ability to secure private capital, financing, and other typical development related income sources. Lastly, simultaneously occurring with the 2008 recession, key members of the Management Team in the area of Finance as well as Administrative staff all left the company for other opportunities over the period 2007—2008. During this transition period the company was left without a CFO, Comptroller, or Finance Director to provide the essential financial leadership for the organization.

Further, while staffing in the finance department was declining, staffing in other administrative support areas including special projects had increased slightly during the same time period when top line revenues declined. The company was incurring service charges to vendors for outstanding payables primarily as a result of lack of leadership in the finance department.

FMS began assisting the client in right-sizing the business by adjusting overhead expenses such as redundant staffing, unnecessary equipment and supplies, and reviewing and reducing vendor costs to bring business in line with current year revenues. The company immediately instituted a pay freeze, restricted overtime work, released some part-time employees and realigned the job requirements of existing administrative staff allowing for the release of another full time employee. Next, a thorough review of all planned and existing expenditures was performed including a cost benefit analysis of current vendor contracts for service and/or supplies. This resulted in the elimination of several vendors, over a 6 month period that were providing overlapping services or unnecessary supplies, reducing monthly expenses by 25%.

Also, FMS helped the company develop and implement a repayment plan using existing savings reserves to retire all 120 day+ past due payables without incurring additional service charges or reputation damage with their company's vendors. This allowed management to begin refocusing on its customer and member base and effectively begin to improve service delivery, restore value in their brand and most significantly increase revenues by 10% in 6 months and a total of 15% after one year.

During the middle of the second year of working with FMS, the company was deemed in **good financial standing** by its primary lender. This opened the door for the company to renew its primary loans at a favorable market rate with the bank that further reduced their ongoing monthly expenses. These actions finally realized **a total improvement of 250% increase in cash reserves and savings after two years.**

About Financial Management Strategies, LLC

At Financial Management Strategies (FMS), our goal is to become your trusted advisor for all your financial decisions. We provide premium services in:

- Financial planning
- Investment consulting
- Financial analysis and research
- Wealth management
- Business consulting
- Real estate development

Our clients receive objective advice, prudent strategies and a personalized plan that is designed to assist them in their vision of obtaining, growing, and preserving their wealth by developing their business and allowing for personal and professional success.

Walid is a graduate of New Jersey's Montclair State University with a degree in both business management and finance. Mr. Petiri is a recipient of the Accredited Asset Management Specialist designation from the College of Financial Planning in Denver, Colorado. He is also a Registered Financial Consultant and select member of the International Association of Registered Financial Consultants, an organization of professional financial advisors who are required to maintain a high standard of education, experience and integrity.

