

# VIRTUAL CFO - insights

An eBook for American Small Businesses

- 
- Strategic Planning
  - Debt & Cashflow Manager
  - Business Growth
  - Raise Capital
  - Legal & Financial Services

*by Gladys Salazar, Founder & President, PFA*

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## Why?

**A**re you ready to get your company back on track?  
In 30 minutes or less, you'll have answers to some of your most pressing questions:

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# Why You Need A **Virtual CFO**

**Without Strong Operations, Your Company May Lack the Financial Strength Needed to Grow**

## **1. LASER-FOCUS ON GROWTH**

A Virtual CFO will work with you to deliver accurate financial information at the right time in the right way. This allows you to focus your attention on the entrepreneur in you. The key to success is planning.

## **2. STRATEGIZE**

A Virtual CFO will provide metrics that are monitored regularly. We will work with your management team to develop a comprehensive roadmap for success.

## **3. RAISE CAPITAL**

A Virtual CFO funding professional knows your business and can help you implement the right strategy to raise capital and make more informed decisions.

## **4. FORECASTING & BUDGETING**

A major setback for companies is that finances are unable to keep up with growth. A Virtual CFO helps you expand effectively, while positioning your company for capital, as your company grows.

## **5. MANAGE RISK**

A Virtual CFO is an early warning system to detect risk and proactively address it.

## **6. AFFORDABLE**

Unless you're a major company with ample funds, most companies are unable to employ a full time CFO. A Virtual CFO provides comprehensive CFO services at a fraction of the cost of a full time CFO.

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# Does This Sound Like You?

It all began with a creative idea. Perhaps talking to friends, maybe you worked for a small business. You, and only you, built the company it is today. You used your own capital, sweat, and drive. You persevered through long nights, the ups and downs. Your business is showing steady growth. A step in the wrong direction can push your business on an out-of-control downward spiral; often thrusting it beyond the point of no return. You know your company can do better...after all, you have been growing month after month, year after year. But something is wrong. The profits and cash flow just don't seem to be what you expected.

**H**aving the right financial data at your fingertips is easier said than done. Accounting errors, things slipping through the cracks, and inadequate labor is costing you time and money. To top it all off, nobody is spending the time necessary to analyze and optimize the business to see what is effective and what are the shortfalls.

You may ask yourself, "is my business really working?" Are you sure that the products or services you think are your biggest profit drivers are really helping your business perform? You can't really be sure, because nobody is analyzing and measuring them on a consistent basis.

Although you are not an accountant, it seems like you are the only one who understands and can produce the numbers. This is one of the biggest pitfalls in any company. It is taking away from running and growing your company. It seems that you're alone in the middle of a deserted island. With so many options, nothing seems to be working. Hiring a full-time CFO or Controller is too expensive. In fact, adding any full-time financial staff seems out of reach. The overhead function doesn't contribute to sales. What if you make the wrong hire and it only makes things worse?

What if there was a spill-proof solution where a financial expert would carry this weight? A solution that would provide financial strategies and discipline to show you and your management team how your company can persevere, show continued growth and increase profit?

A solution DOES exist...a Virtual CFO. Let's explore why a Virtual CFO is right for you.

“

*Good business leaders create a vision, articulate the vision, passionately own the vision, and relentlessly drive it to completion.*

- Jack Welch

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# A Solution Exists. It's Called A Virtual CFO

Sovereign Martial Arts made the decision to hire a Virtual CFO to help grow the business and its growth.



## SMA Martial Arts - Revenues Increase over 2,000%

**S**MA was founded in 2008 with a simple mission: to help individuals succeed through training, discipline, . Within two months of launching its website a positive news article sparked a surge in demand.

The owners knew that they needed to make changes....fast. They were caught up in the daily management of their 3 martial arts studios and were lacking professional financial assistance. They engaged a Virtual CFO to develop a financial roadmap that provided a way to grow sales, expand margins and generate cash.

As a result, sales grew over 2,000% in two years.

“

*Not only did Phoenix set a financial plan for us, but we learned the right way to run a business and the importance of making informed and educated decisions. They made it easy for us to increase our revenue by over 2,000%.*

*-JDiCervo, Co-Founder  
SMA Martial Arts*

**Learn why you need a Virtual CFO now.**

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# What is A **Virtual CFO?**

A business expert who is part of your management team, provides you with the tools you need to make informed decisions, help set financials goals and map processes and procedures.

**A** Virtual CFO is a trained financial professional (or team of professionals) who helps your company improve its sales, profit margin and cash flow. Through the use of metrics, processes and procedures, along with the necessary team to accomplish goals, the Virtual CFO is a critical addition to your company.

The Virtual CFO does this by taking the data generated by your business and converting it into clear and actionable analysis that can be used to plan and improve financial performance. A CFO for a company in its infancy is very different than a CFO for a larger corporation.

A Virtual CFO for the smaller company, or a company just starting out, must excel at working with the resources available to them. Strategic analysis and critical thinking, as well as a “hands-on” work ethic are a must. The Virtual CFO should know your industry and bring other professionals with experience in your line of business.

The best way to think of a Virtual CFO is as a bridge between where your company is now and where you want it to be. The Virtual CFO can be hired for a given result or task, or can become part of your management team. The Virtual CFO is usually not a permanent solution, but it’s often long-term. Because your success is planned and growth is eminent, the Virtual CFO will be replaced by a permanent CFO. The Virtual CFO usually helps in this transition.



## **Part-time**

The Virtual CFO is usually a part time, remote position. You will need to feel comfortable that the Virtual CFO works remotely. The Virtual CFO typically schedules visits with you to review progress & metrics, plan next steps and discuss strategies. It is very important to include the Virtual CFO in all decisions affecting structure, finances, projections, and projects.

It is possible to have a full-time Virtual CFO, but the cost is a consideration.

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# More About A Virtual CFO...

There are several types of Virtual CFOs. PFA will make recommendations based on our initial interview and a review of your company. Most Virtual CFOs work remotely, using the cloud to communicate. Since they operate virtually, the pool of available Virtual CFOs is much larger to draw from, making it more likely you'll find a good fit.

## Types of Virtual CFOs

There are generally two types of Virtual CFOs: independent CFOs and those that come with a staff and firm. Virtual CFOs are almost always financial or legal professionals.

### 1. The Independent Virtual CFO

An independent virtual CFO is generally a professional who will work under your guidance and systems. Their prior experience may include being full-time CFO at a company, or they may have had a career in finance at a larger company. They operate similar to an independent accountant or lawyer.

### The Firm-based Virtual CFO

A firm-based Virtual CFO generally has a staff that can support the Virtual CFO in areas such as transaction processing, preparing monthly financial statements and providing financial planning & analysis.

## Availability

The availability of a Virtual CFO is important to understand at the outset of the relationship. Virtual CFOs in high demand will have more than one client and will want to be sure that working with you is not going to negatively impact their other relationships. Here are some considerations:

- Find out how much time, in hours, they expect to spend with you each month.
- How frequently do they expect to communicate with you and what is their preferred method (phone call, email, cloud app)
- What is the expected turnaround time for requests.

Be honest with yourself when setting these expectations. Ask us. If we can't do it—we'll find someone who can.

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Make your financial plan actionable by reporting performance metrics on a regular basis. Key Performance Indicators (KPI) is a critical indicator of progress toward an intended result. KPI measures and evaluates the success of a company.



# Why Do I Need A Virtual CFO?

Virtual CFO services helps in providing insight and advice to help business owners make better decisions and grow their company. The Virtual CFO will use your company data to analyze and optimize the resources available. A full-time CFO can cost upwards of \$250,000/yr. A Virtual CFO costs a fraction of that.

- Are you losing sleep over your company's cash position?
- Are you paying yourself what you're truly worth?
- Is your business debt crippling your cashflow?
- Don't really trust your financial data and are afraid you'll make bad decisions as a result?
- Business becoming more complex and you need someone to help you understand it better?

A Virtual CFO can provide a full range of services including: managing bank relationships, weekly meetings, forecasting, company-wide KPIs, and much more. Many firms offer different levels of services that can be tailored to the specific needs of your business.

At Phoenix Funding Advisors, we take action-oriented analysis seriously, helping our clients establish metrics and regular financial reporting as a strong foundation. From reviewing budgets and cash forecasts to helping you raise capital, establish cash reserves, and properly incentivize your employees, we're here to help your company maximize profits and minimize taxes, and to meet the financial needs of your growing company.

## How do I Find a Virtual CFO?

Your search for a Virtual CFO will likely begin on the internet. However, we strongly advise to engage of a reputable Virtual CFO through business referrals and interviews.

Ask your accountant or business consultant if they know somebody in the business.





# What Will A Virtual CFO do For my Company?

The purpose of the Virtual CFO is to relieve you of various business and financial burdens so you can focus on growing your company. You need to trust that these things will be handled with minimal oversight from you, but that you will be well informed. Alongside a Virtual CFO, you will discover how to better define business goals and achieve strategic objectives. You will gain the skills and confidence you need to lead your company to the next phase.

To accomplish this, it is important for you to segment and scope what you want a Virtual CFO to do so they can work most effectively with your team. For example, if your company has inventory you may want the purchasing function to report to the Virtual CFO since it has a financial impact. This may not work with a part-time CFO, however, as purchasing tends to be very fluid and require more time and responsiveness from a supervisor. It may be better to have purchasing report to a full-time member of your team with the Virtual CFO advising on the financial impact.

For high-growth companies, there are three things the Virtual CFO should do:

1. Help improve financial performance of your company
2. Report accurate financial performance on a timely basis
3. Advise on strategic matters

## **Help Improve Financial Performance**

Perhaps the biggest benefit of a Virtual CFO is the ability to control costs. Hiring a Virtual CFO allows you to control costs by getting only the services you need, when you need them, without the need to roll benefits and other terms of employment into the equation.

Acquiring sufficient financing without excessive debt or giving away too much equity is a delicate balancing act. The Virtual CFO will help you make decisions to finance your growth and operations. It is designed to improve your company's financial performance. This is accomplished by developing a detailed financial roadmap for the company to follow. This plan provides monthly estimates for sales, gross margin, operating expenses, cash flow, profitability, capital purchases and much more.

The plan must contain metrics that are communicated to the operating managers of your company. Performance against these metrics should be provided as frequently as possible, certainly no less than monthly. Many companies are using cloud-based dashboards to provide actual vs. budget reports.



Without a plan, a business will likely struggle.

Companies that follow a sound financial plan are far more likely to achieve higher sales, profitability and cash flow than those without a plan (IBM Global CFO Study, 2010)

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### **Customize Based Needs and Budget**

A virtual CFO service can customize the skills and scope of work necessary to fit the company at hand, without paying for anything that's not needed. These services can also be shifted as needed as your business grows and changes.

### **Accurate Financial Reporting**

Maintaining a sound accounting system is a key priority for the Virtual CFO (if hired for this purpose). Along with your accountant, the Virtual CFO ensures that proper controls are in place to generate financial reports as well as financial analysis to support the business. This includes:

- Proper controls and procedures to book invoices, payables, payroll and manage cash
- Creating monthly financial statements and reviewing with management
- Ensuring all financial records capable of withstanding a financial audit
- Satisfying internal customers of financial data
- Compliance with any regulatory financial matters



Developing a financial plan is one of the most valuable activities a Virtual CFO can do. It is a roadmap that lays out in detail how your company will achieve its sales, profit and cash flow goals.

### **Grow With You**

A seasoned Virtual CFO can grow with your business. Your need at the \$1 million revenue mark will be different than your needs at the \$10 million mark, and so on. A Virtual CFO can help you navigate through different growth phases from a financial perspective.

A Virtual CFO will recognize that they are not permanent and will help transition your company from an outsourced Virtual CFO to a permanent in-house chief financial officer when the time comes.

### **Diverse Expertise**

Most Virtual CFOs work with experts that can bring you the best service. Additionally Virtual CFOs often work with a handful of different clients, enabling them to benefit from this diverse pool of experience and expertise.

A Virtual CFO can identify opportunities and resolve a number of diverse financial challenges. Chances are, whatever your unique situation, your Virtual CFO will have seen it, experienced it, and can advise you accordingly.



# How Much Will A Virtual CFO Cost?

Virtual CFOs generally charge an hourly rate or a flat monthly subscription fee. Often, small business owners will opt for a flat monthly subscription fee because there's less guess work involved.

Virtual CFO monthly subscriptions generally start around several thousand dollars per month and increase based upon what they do and the staff they bring with them. Hourly rates start at around \$300 an hour.

## *How to Evaluate the Value of a Virtual CFO*

There can be a bit of shock when a beginning business owner first learns about the costs of a Virtual CFO. That's often because a business owner focuses on the cost alone, and not the value a CFO can add. The best way to determine the value of the Virtual CFO is to compare its cost to your cost of doing the same work in-house. We can also quantify the value a CFO adds through higher sales, profitability and cash flow.

Let's assume your company is doing about \$2M annual sales and is using QuickBooks and Excel to manage its accounting. Most companies at this stage consider hiring a Controller because it is more affordable than hiring a full-time CFO. You may have some special needs, such as recognizing subscription revenue, tracking job costs or inventory. These are the activities that are becoming too complex but need to be understood because they are impacting your financials.

## **The Payoff of a Virtual CFO**

The biggest value of a Virtual CFO is that you get scale. You pay for what you need when you need it. You access the benefits of a CFO without the burden of a full-time expense.

In a virtual situation you get access to trained experts using proven technology to deliver financial operations that add value to your organization. Here's an example of how that team can deliver quantifiable results to your company:

Let's say that Virtual CFO is able to put in place a performance measurement system that helped you reach \$5M of annual sales and improve your profit margins 10% within two years.

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## What Can a Virtual CFO Do for You? Contact Us for a Free Consultation



**By Gladys Salazar,  
Founder and President,  
Phoenix Funding Advisors**

### **About Me:**

I began my career in 1987 in the banking industry in Wall Street...a time where pivotal changes and innovation were racing each other. During the financial crisis that began in 2008, I saw that small businesses were squeezed...laying off employees, slashing spending, and they were left with significantly reduced access to capital. I retired from the corporate world after 30 years of raising capital, managing risk, and origination of derivative products.

### **About Phoenix Funding Advisors:**

Phoenix Funding Advisors is passionate about helping small businesses. Small businesses don't usually have the resources and tools to effectively expand and operate. When there is growth, sophisticated financial operations and access to capital is a must. Without key reports, metrics and tools, it's virtually impossible to sustain growth. Financing growth is often out of reach. That's where we come in.

We provide superior insight, analysis, and reports that help propel growth and take a company to the next level. We work with the business owner or management team to find suitable financing options, implement strategies, and optimize business performance. Phoenix Funding Advisors has a unique position with access to the right capital for growth.



Contact us [info@phoenixfa.com](mailto:info@phoenixfa.com)

[www.phoenixfundingadvisors.com](http://www.phoenixfundingadvisors.com)