



## Business Banker Advisory Program

## Not all accounting firms are created equal.

In July 2005 Axiom set out to offer business owners an alternative to traditional tax and accounting services. Rather than focus primarily on the past we use historical measures such as tax returns and financial statements to measure progress toward goals and objectives important to your success. The key to this system is a relationship built around frequent and disciplined communication. We have three tools we use to assist us in creating more frequent and more engaging communication than most clients have been taught to expect.

1. We perform detailed due diligence on every new client. The template for this due diligence process is our client orientation package. The package lists all required historical documents and requires the prospect to answer strategic and tactical questions they may have never considered.
2. We meet with clients on a regularly recurring basis, usually monthly but sometimes more frequently.
3. We establish Fixed Price Agreements with new clients so that fees are not an impediment to frequent communication.

The fact is that most clients desire more participation from their business advisors but don't really know what that participation should look like. Our business model works because accounting is the language of business. It allows us to diagnose problems, measure results, verify hunches and get down to hard facts. But accounting is only a tool. To truly set the tone and direction for a business you must be able to communicate goals, problems, frustrations and successes. Without communication, without an ongoing conversation the tools of accounting and financial analysis are wasted and misused.

**Our mission is to help clients forecast future events with the goal of building detailed financial strategies and plans to focus their daily decisions.** We use the past to help measure progress and we focus our attention on impacting the future. If we can help clients make better decisions on a daily basis, we can contribute to their success, and successful clients make us very, very happy.

**But you are not a client. So what does it have to do with you?**

Why should banks care how we deliver tax, accounting and consulting services to our clients? Over the years we have discovered the following statements to be true in the majority of cases.

- Business bankers rarely receive timely financial reports on a monthly basis.
- The interim information that bankers do receive is often suspect and susceptible to innocent, but highly material accounting errors.
- Business bankers are precluded from offering their best customers value added, profitable products and services because they don't know what is going on inside the business on a monthly basis.
- Small business accounts are simply not profitable enough for the bank to justify tasking bank personnel to summarize and analyze monthly financial data.
- The lack of an effective and affordable monitoring solution to complement traditional underwriting means businesses that could be highly profitable customers are never given the opportunity.
- The feature rich products available to banks that spend the money and internal resources to monitor customer businesses are complex and template driven rather than designed around a specific customer's business.

With all of this in mind Axiom came up with a very simple solution.

1. We ask bankers to encourage their business customers to retain Axiom as the bookkeeper of record for the business.
2. We schedule an initial consultation with the bank and the business owner/manager to determine which KPI's are most important in tracking business operations success and which KPI's are most important to the bank in monitoring the financial performance of the business.
3. We design a one page summary of financial performance that includes key income statement and balance sheet amounts in an easy to read, easy to track monthly columnar format.
4. We design a one page, color coded barometer of KPI performance that allows the banker to quickly understand favorable, neutral or adverse trends in the business.
5. We receive permission from the client to communicate directly with the business banker so that questions and issues can be discussed in no-nonsense, technical language without the time lag created by an intermediary.
6. Using a standardized system we keep costs down so that bankers and their customers can figure out the most affordable way to help one another be successful. All fees are either prepaid, paid by direct debit or by credit card so that there is no interruption in service while waiting for payment and banks are assured that information will be received on schedule.

If you have customers that may be a good fit for this program we encourage you to share this brochure with them. If they want to learn more please call Irene Burke to schedule a conference with you and your client about moving forward. We can meet at your place or ours for initial consultations.

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Apex Manufacturing, LLC

<b>Balance sheet</b>	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Cash	81,935	84,137	86,368	91,700	81,698	91,433	106,579	104,625	98,205	114,655			
AR	82,365	74,987	65,433	66,490	43,348	42,988	64,099	72,334	71,544	82,099			
Inventory	143,090	123,003	153,009	132,976	121,967	119,032	101,232	118,765	134,087	139,856			
PP&E (net)	672,342	666,097	659,852	653,607	770,584	762,872	755,160	747,448	739,736	732,024			
Other assets	14,532	14,532	14,532	14,532	14,532	14,532	14,532	14,532	14,532	14,532			
	994,264	962,756	979,194	959,305	1,032,129	1,030,857	1,041,602	1,057,704	1,058,104	1,083,166			
AP	34,504	38,902	46,098	55,098	45,876	52,985	68,543	61,839	53,845	58,746			
Credit Cards	2,354	4,334	2,987	2,445	2,967	3,101	3,541	3,445	4,391	4,509			
LOC 1	93,200	45,000	45,000	15,000	100,000	100,000	100,000	100,000	100,000	100,000			
LOC 2	-	-	-	-	-	-	-	20,000	20,000	30,000			
Common stock	100	100	100	100	100	100	100	100	100	100			
APIC	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000			
RE	614,106	624,420	635,009	636,662	633,186	624,671	619,418	622,320	629,768	639,811			
	994,264	962,756	979,194	959,305	1,032,129	1,030,857	1,041,602	1,057,704	1,058,104	1,083,166			
<b>Income statement</b>	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Sales	75,943	80,001	78,532	72,984	65,438	52,564	55,764	60,032	68,290	68,430			677,978
COGS	(34,950)	(38,501)	(38,378)	(39,051)	(38,807)	(27,667)	(28,374)	(24,516)	(27,397)	(27,755)			(325,396)
Gross profit	40,993	41,500	40,154	33,933	26,631	24,897	27,390	35,516	40,893	40,675			352,582
Sales and marketing	4,389	2,154	3,691	5,043	4,267	3,908	2,394	2,242	2,104	3,452			33,644
Occupancy	2,693	3,209	2,781	2,693	3,024	3,342	2,785	3,870	2,693	2,721			29,811
Executive comp	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000			80,000
G&A	10,543	11,320	8,590	10,200	7,998	9,877	11,231	10,165	12,311	7,988			100,223
Total overhead	25,625	24,683	23,062	25,936	23,289	25,127	24,410	24,277	25,108	22,161			243,678
EBITDA	15,368	16,817	17,092	7,997	3,342	(230)	2,980	11,239	15,785	18,514			108,904
Depr. & Amort	(6,245)	(6,245)	(6,245)	(6,245)	(6,245)	(7,712)	(7,712)	(7,712)	(7,712)	(7,712)			(69,785)
Interest	(680)	(258)	(258)	(99)	(573)	(573)	(521)	(625)	(625)	(759)			(4,971)
Net income	8,443	10,314	10,589	1,653	(3,476)	(8,515)	(5,253)	2,902	7,448	10,043			34,148

Apex Manufacturing, LLC

<b>Cash flows</b>	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
EBITDA	15,368	16,817	17,092	7,997	3,342	(230)	2,980	11,239	15,785	18,514		
Changes in AR	(6,455)	7,378	9,554	(1,057)	23,142	360	(21,111)	(8,235)	790	(10,555)		
Changes in inventory	(10,543)	20,087	(30,006)	20,033	11,009	2,935	17,800	(17,533)	(15,322)	(5,769)		
Investment in equip	-	-	-	-	(123,222)	-	-	-	-	-		
AP and CC	5,323	6,378	5,849	8,458	(8,700)	7,243	15,998	(6,800)	(7,048)	5,019		
Lines of credit		(48,200)	-	(30,000)	85,000	-	-	20,000	-	10,000		
Debt service	(680)	(258)	(258)	(99)	(573)	(573)	(521)	(625)	(625)	(759)		
APIC	-	-	-	-	-	-	-	-	-	-		
Total cash produced (used)	3,013	2,202	2,231	5,332	(10,002)	9,735	15,146	(1,954)	(6,420)	16,450		
Beginning cash	78,922	81,935	84,137	86,368	91,700	81,698	91,433	106,579	104,625	98,205		
Ending cash	81,935	84,137	86,368	91,700	81,698	91,433	106,579	104,625	98,205	114,655		

**KPI's**

Month	1	2	3	4	5	6	7	8	9	10	11	12
Cash: Days overhead in cash	96	102	112	106	105	109	131	129	117	155		
AR: Days sales in AR	33	28	25	27	20	25	34	36	31	36		
Inventory: Days sales in inv.	57	46	58	55	56	68	54	59	59	61		
Working capital	177,332	193,891	210,725	218,623	98,170	97,367	99,826	110,440	125,600	143,355		
Debt/equity	0.15	0.10	0.11	0.08	0.17	0.18	0.20	0.21	0.20	0.22		
Return on assets	10.2%	11.7%	12.0%	9.7%	6.4%	3.7%	2.3%	2.4%	3.0%	3.8%		
Return on equity	11.7%	12.9%	13.3%	10.5%	7.5%	4.3%	2.7%	2.9%	3.7%	4.6%		
Coverage (5 yr amort @ 8.5%)	4.4	11.2	11.5	5.4	-1.7	-4.2	-2.6	1.2	3.0	3.8		
Gross margin (YTD)	54.0%	52.9%	52.3%	50.9%	49.1%	48.9%	48.9%	50.1%	51.2%	52.0%		
Net margin (YTD)	11.1%	12.0%	12.5%	10.1%	7.4%	4.5%	2.9%	3.1%	4.0%	5.0%		

**Evaluation criteria**

	lower	upper	lower	upper	lower	upper	lower	upper	lower	upper
Cash: Days overhead in cash	0	30	30	90	90	120	120	180	180	999
AR: Days sales in AR	0	20	20	30	30	45	45	90	90	999
Inventory: Days sales in inv.	0	30	30	45	45	65	65	90	90	999
Working capital	0	50,000	50,000	75,000	75,000	100,000	100,000	150,000	150,000	999,999
Debt/equity	0.0	0.1	0.1	0.1	0.1	0.3	0.3	0.6	0.6	1.0
Return on assets	0.0%	2.5%	2.5%	5.0%	5.0%	15.0%	15.0%	25.0%	25.0%	100.0%
Return on equity	0.0%	2.5%	2.5%	5.0%	5.0%	15.0%	15.0%	25.0%	25.0%	100.0%
Coverage (5 yr amort @ 8.5%)	-10.0	1.0	1.0	2.0	2.0	99.0	99.0	60.0%	60.0%	100.0%
Gross margin (YTD)	0.0%	42.5%	42.5%	48.5%	48.5%	55.0%	55.0%	60.0%	60.0%	100.0%
Net margin (YTD)	0.0%	3.5%	3.5%	7.5%	7.5%	15.0%	15.0%	18.0%	18.0%	100.0%

← Values too
Optimum
→ Values too

Low
Values
High