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## OUTSOURCED ACCOUNTING SYSTEMS AND SERVICES (OASYS)

# VENTURE CAPITAL FIRM IMPROVES REAL-TIME BUDGETING AND FORECASTING ABILITY

Learn how Withum used a diagnostic process to uncover issues a venture capital firm was having with working capital.

## EXECUTIVE SUMMARY

Withum's OASyS Team delivered a real-time, rolling, zero-based budget and forecasting model for a growing venture capital firm to enable reporting of key metrics to the management company. Using a diagnostic discovery method, Withum's Financial Planning and Analysis Consulting professionals created a customized 13-week rolling and two-year forward-looking financial projection using a zero-based budgeting methodlogy to aid in the firm's growth decisions and future business strategy. These models and reporting tools gave the internal financial team the resources they needed to satisfy management's requests while providing vital metrics to create a scalable growth strategy.

## THE CLIENT

A New York-based, woman co-founded venture capital firm, with a second location in Los Angeles, was struggling to capture the necessary data to properly budget and forecast the company's growth. Focusing on technology startups and investments in the online and mobile markets, the firm saw consistent revenue growth from new growth funds and general partner distributions. However, they lacked the appropriate tools to maintain a scalable growth model for the future. The firm also lacked the ability to provide requested quarterly data and metrics to the general partners in the management company.

Trusting the guidance and services they were already receiving from Withum, the CFO engaged Withum in an advisory capacity to assist with the much needed forecasting and budgeting.

## CASE BRIEF

**CLIENT:** A New York City and Los Angeles-based Venture Capital Firm

**STRENGTH:** Consistent growth to assets under management

**CHALLENGE:** Limited knowledge of the management company's projections and difficulty projecting growth

**OPPORTUNITY:** Streamline budgeting and forecasting processes to exponentially grow the venture capital firm

**OUTCOME:** Developed a new tool for a rolling 13-week cash forecast for real-time feedback support

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## THE CHALLENGE

The venture capital firm's CFO was having trouble projecting the quarterly profits/ distributions for the management company.  While the top-line revenue was consistent, they had no way of knowing future expenses. They also didn't have a robust way of projecting headcount expenses or decisions that would affect the bottom line. This created stress for the CFO as there was no way to provide insight to the partners.

Due to Withum's longstanding relationship with the CFO, the CFO obliged with Withum's recommended services. The Financial Planning and Analysis Consulting Team, part of Withum's OASyS — Outsourced Accounting Systems and Services practice, was asked to provide a solution that optimized the company's budgeting and forecasting processes. More specifically, Withum was engaged to build a two-year forward-looking financial projection tool.

## THE APPROACH AND SOLUTION

To fully assess the scope of the client's needs, Withum used a diagnostic tactic to quickly gain an understanding of the venture capital firm. This approach allowed the Financial Planning and Analysis Consulting Team to see business operations through internal and external viewpoints. Through insights gained, Withum provided the input required to align customized, innovative solutions with the company's strategic vision.

As part of the tactical diagnostic approach, the client's discovery process involved establishing a holistic review of the current financial and operational landscape. This process involved a series of interviews and discussions with key stakeholders and employees within the company. These meetings delivered the valuable information necessary to uncover key business processes and scenarios that required change consideration. Withum placed particular emphasis on the venture capital firm's:

- Current state of affairs and future plans.
- System limitations/accounting process improvements.
- Current budgeting/forecasting process.
- Financial operations pain points and difficulties.
- Understanding of any current reporting.

Identifying the current challenges served as the basis of issues to address within the organization. Withum's Financial Planning and Analysis Consulting Team evaluated each pain point to determine possibilities for short, medium and long-term goals. This examination allowed Withum to define a future state vision for the company.

Withum suggested an innovative multi-year financial model that could be used on a quarterly basis to project profits and future distributions. During the discovery process, Withum verified that headcount and rent are two of the largest variable expenses for the venture capital firm. Therefore, the Team also developed a detailed allocation methodology to properly project future expenditures based on changes in headcount. These custom-created dynamic tables provided more real-time feedback to business decisions. The model also had the ability to be actualized so that variance analysis could be performed, which was a key request of the CFO.
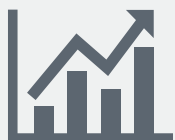
## THE RESULTS, ROI

Through a diagnostic discovery approach, Withum's Financial Planning and Analysis Consulting Team delivered a 13-week rolling, two-year financial model that was adapted to solve the specific challenges the venture capital firm was facing. The model allows the CFO to project future distributions for partners with a high degree of confidence. With built-in functionality, the client can perform a sensitivity-analysis and receive real-time results for any future business decisions they are considering. This particular financial model can also be used to prepare future financial budgets and forecasts. Withum's solution also included a mapping table that allows the actuals to be updated by simply dropping in the data from QuickBooks.

**The CFO can now track prior performance and achieve a more actual variance analysis.**

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