
Performance Review

For the period ended 03/31/2015

Provided By



Sheri Neuman
415.528.5400

Disclaimer

6/1/2015

The information included in the following comparative financial evaluation is presented only for supplementary analysis and discussion purposes. Such information is presented for internal management use only and is not intended for third parties. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

Narrative Report

Periods: Q1 2015 - One month against the month that directly preceded it

Report Summary



Liquidity 92 out of 100

A measure of the company's ability to meet obligations as they come due.

Operating Cash Flow Results

The company is generating solid, positive cash flow from operations at this time, and cash flow relative to sales has even improved from the prior period, which is excellent to see. These are very good results. It is particularly nice to see parallels between cash flow and profits: both appear to be quite strong, currently. Typically, results such as these demonstrate effective management of both the Balance Sheet and Income Statement, at least with regard to cash.

General Liquidity Conditions

This company has had outstanding liquidity results, and has received the highest possible score in this area. What exactly does this mean? Net income and net profit margins are up, and all areas of liquidity look strong at this specific time. Even better, all liquidity indicators have risen from last period, as depicted in the graph area of the report. For example, notice in the graphs that the company's current and quick ratios are strong **and** have risen by 48.36% and 48.36%, respectively. This indicates that both the scope and composition of the liquidity base are sound (as of this **particular** time). Basically, the company is doing well, even when compared to the competition. When the company's profitability results are

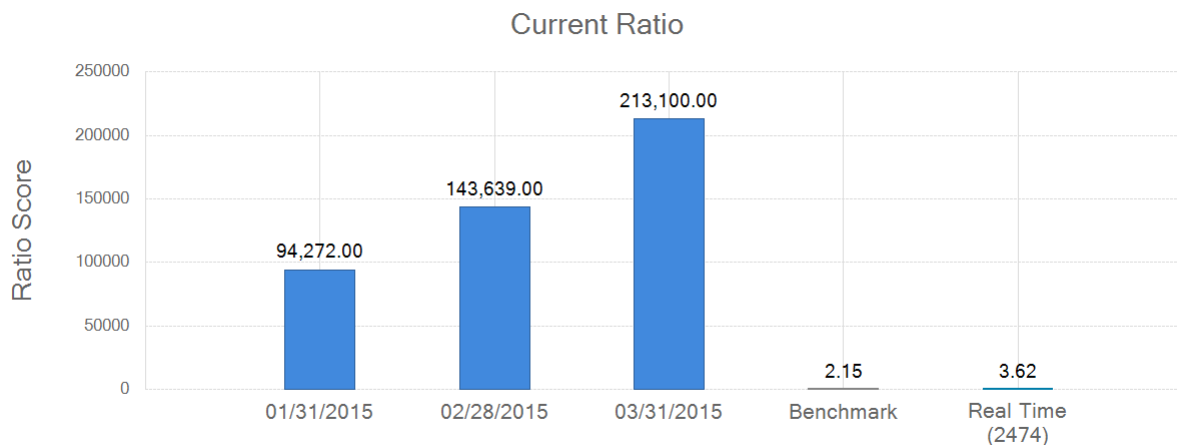
examined in a subsequent section of this report, the benefits that a strong liquidity position can yield will be even more fully emphasized. If the company can maintain its strong position over time, management may be able to invest in the expense items that can help propel future profits. **Present** liquidity should help propel **future** net profitability.

Tips For Improvement

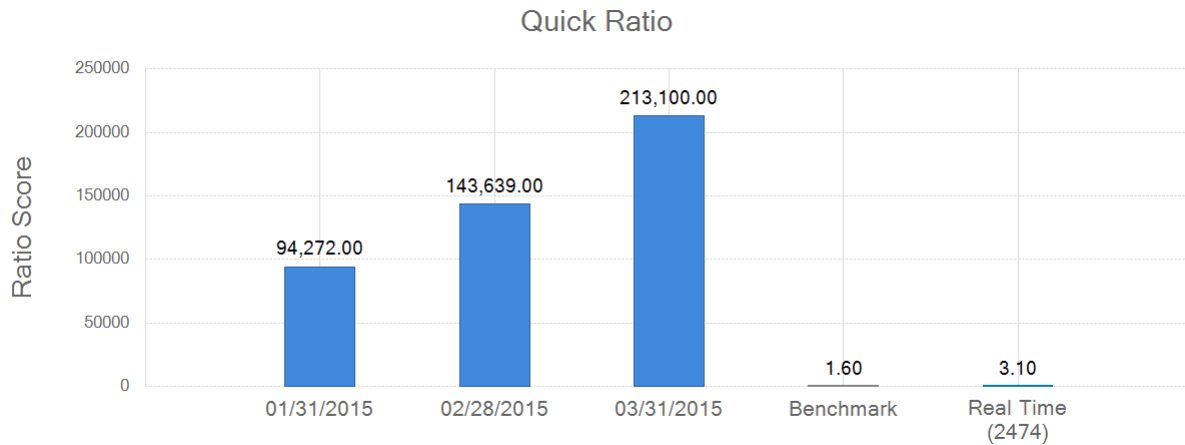
Liquidity is a challenge that is never solved. Managers might possibly consider the following actions to maintain or improve conditions over time:

- Collect secure down payments from clients. This will ensure that their money is funding operations as opposed to the business's money.
- Prepare yearly forecasts that show cash flow levels at various points in time. Consider updating these forecasts on a monthly or even bi-weekly basis. This can help predict/prepare for potential cash shortfalls that may occur in the future.
- Rent rather than buy resources where appropriate. In the long term, this can help achieve an acceptable level of Balance Sheet obligations relative to liquid assets. Current Balance Sheet obligations (such as debt on purchased assets) are uses of cash.
- Monitor invoicing procedures to help ensure correctness. Nothing will delay payment from a customer more than sending out an incorrect invoice. This will extend Accounts Receivable collections and hurt cash flow.

LIMITS TO LIQUIDITY ANALYSIS: Keep in mind that liquidity conditions are volatile, and this is a general analysis looking at a snapshot in time. Review this section, but do not overly rely on it.



Generally, this metric measures the overall liquidity position of a company. It is certainly not a perfect barometer, but it is a good one. Watch for big decreases in this number over time. Make sure the accounts listed in "current assets" are collectible. The higher the ratio, the more liquid the company is.



This is another good indicator of liquidity, although by itself, it is not a perfect one. If there are receivable accounts included in the numerator, they should be collectible. Look at the length of time the company has to pay the amount listed in the denominator (current liabilities). The higher the number, the stronger the company.

Profits & Profit Margin ●●●●● 89 out of 100

A measure of whether the trends in profit are favorable for the company.

A stronger net profit margin and higher sales have combined to improve this company's overall net profitability position significantly this period. Specifically, net profit margins have improved by 6.28% while sales have increased by 36.19%. The company is generating significantly more revenue than last period and managing it better by improving net margins -- an excellent combination. It looks like the company is pushing itself nicely within its "relevant range" -- the company's operating range for its current cost structure. This situation could also imply that the company may be able to push sales and profits higher concurrently in the future, which is not always easy to achieve.

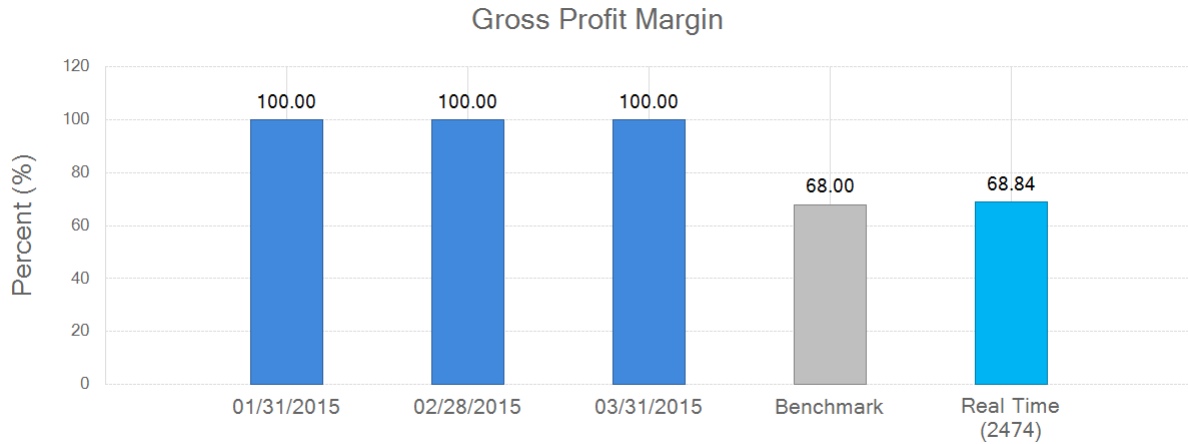
Overall net profitability here is excellent. This means that the net profit margin is good even compared to what similar companies are earning. This puts the challenge on managers to make sure that they are moving money back into the company to improve future profitability. As long as net margins don't slide too much, it is important to invest in the company to take advantage of this excellent strategic position. Managers should also make sure to put money aside to pay taxes on the extra earnings.

Tips For Improvement

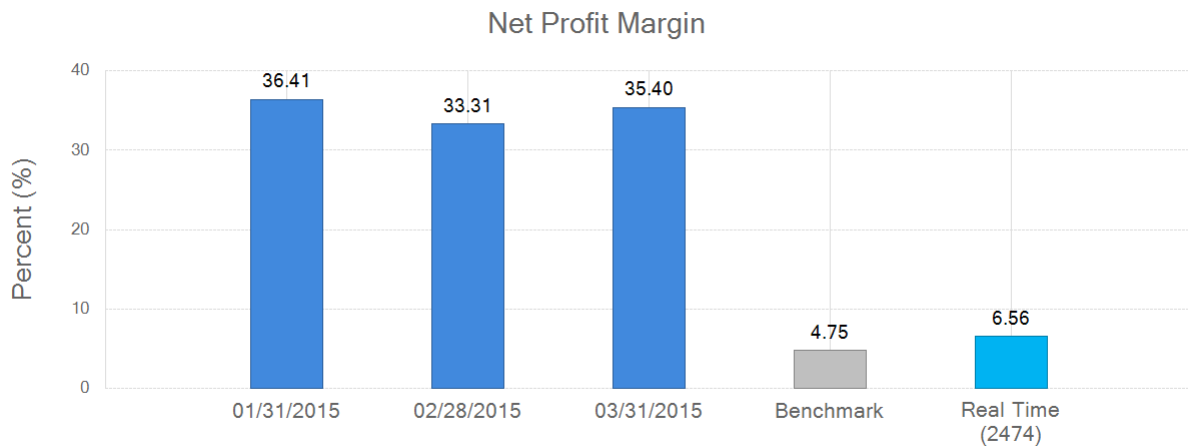
The following ideas to improve profitability might be useful and can be thought-through by managers:

- Create good monthly budgets with cost reduction goals, broken down by account, that are put right into an accounting system (chart of accounts). This should allow management the ability to pull "variance reports", which compare budgeted revenues and expenses with actual revenues and expenses.
- Generate accurate financial reports on a timely basis -- within 40 days of the end of the financial period. This will help ensure the usefulness of the data for examination purposes. Good financial reports are the backbone of management decisions.
- Keep open communication with clients to help ensure quality service. Many clients will return to a business that takes the time to answer questions promptly and knowledgeably.
- Clearly define the mission of the business and make it visible to potential clients. This can be done through strategically placed advertisements and serves to let potential

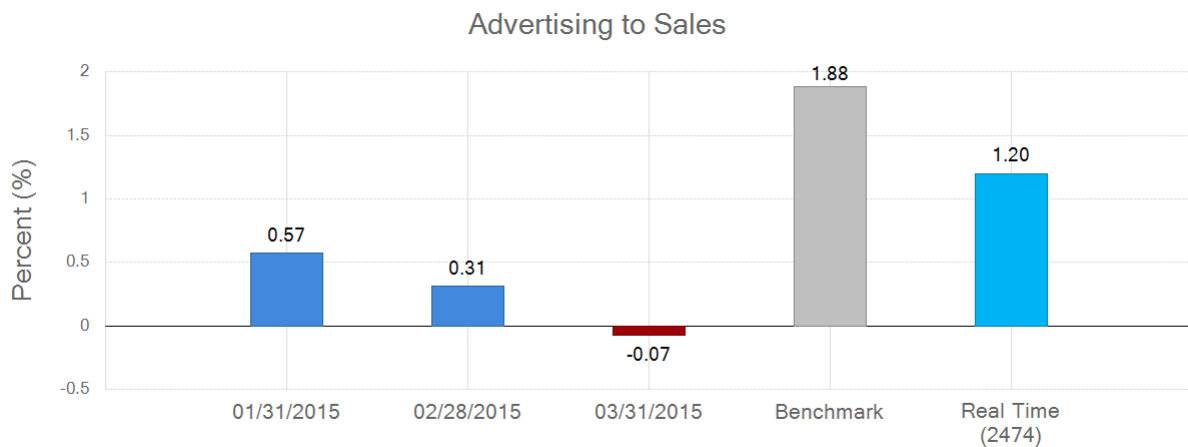
clients know what services they can expect from the business.



This number indicates the percentage of sales revenue that is not paid out in direct costs (costs of sales). It is an important statistic that can be used in business planning because it indicates how many cents of gross profit can be generated by each dollar of future sales. Higher is normally better (the company is more efficient).

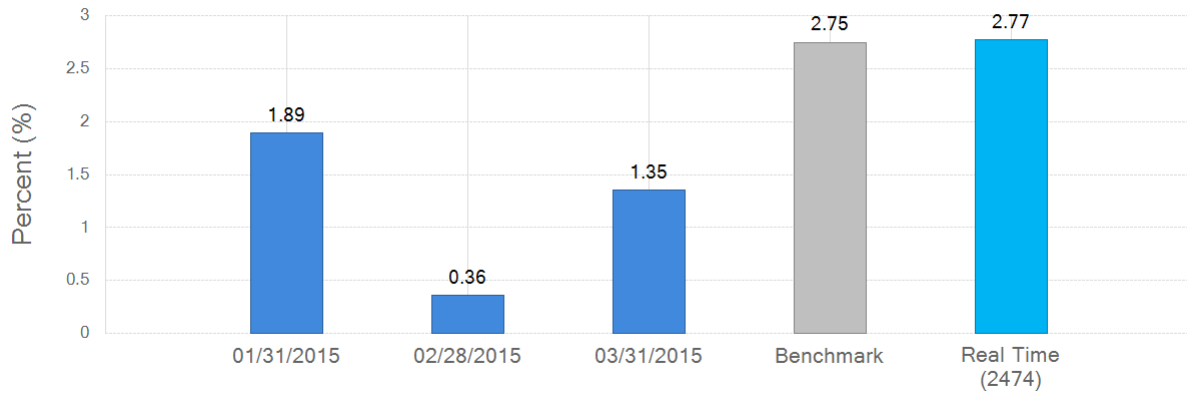


This is an important metric. In fact, over time, it is one of the more important barometers that we look at. It measures how many cents of profit the company is generating for every dollar it sells. Track it carefully against industry competitors. This is a very important number in preparing forecasts. The higher the better.



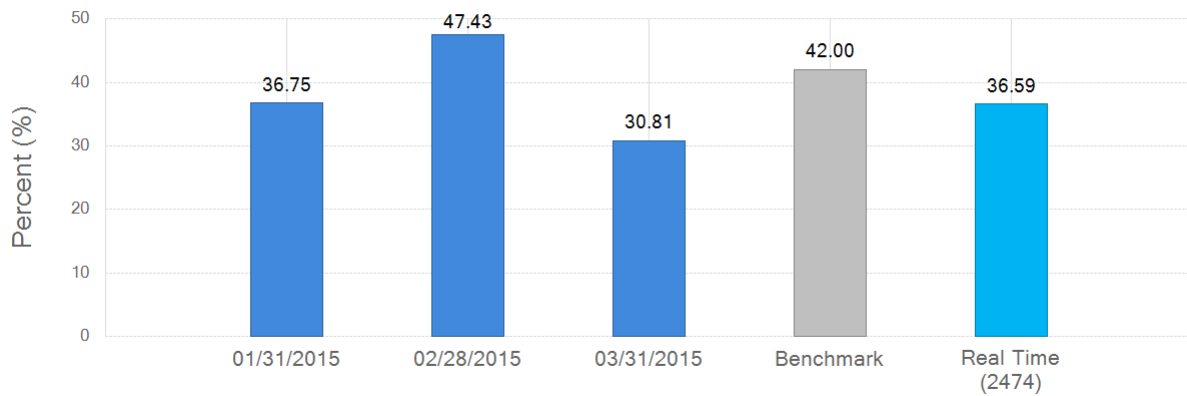
This metric shows advertising expense for the company as a percentage of sales.

Rent to Sales



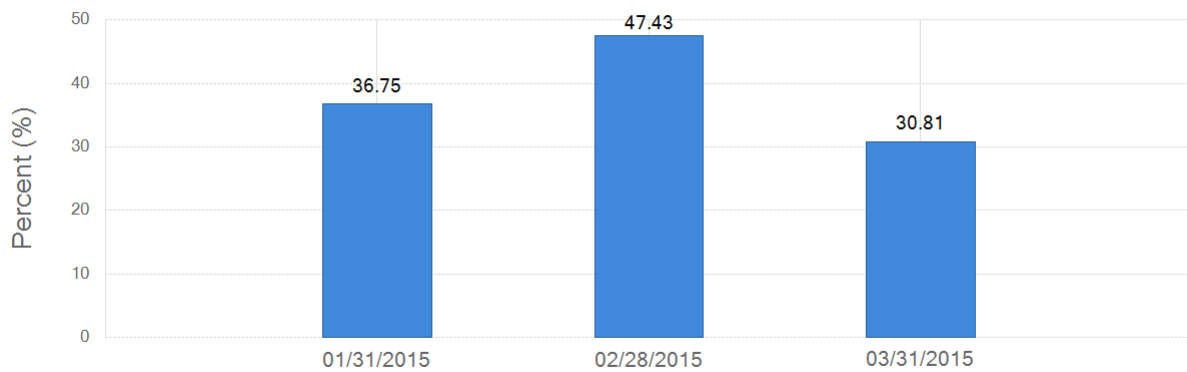
This metric shows rent expense for the company as a percentage of sales.

G & A Payroll to Sales



This metric shows G & A payroll expense for the company as a percentage of sales.

Total Payroll to Sales



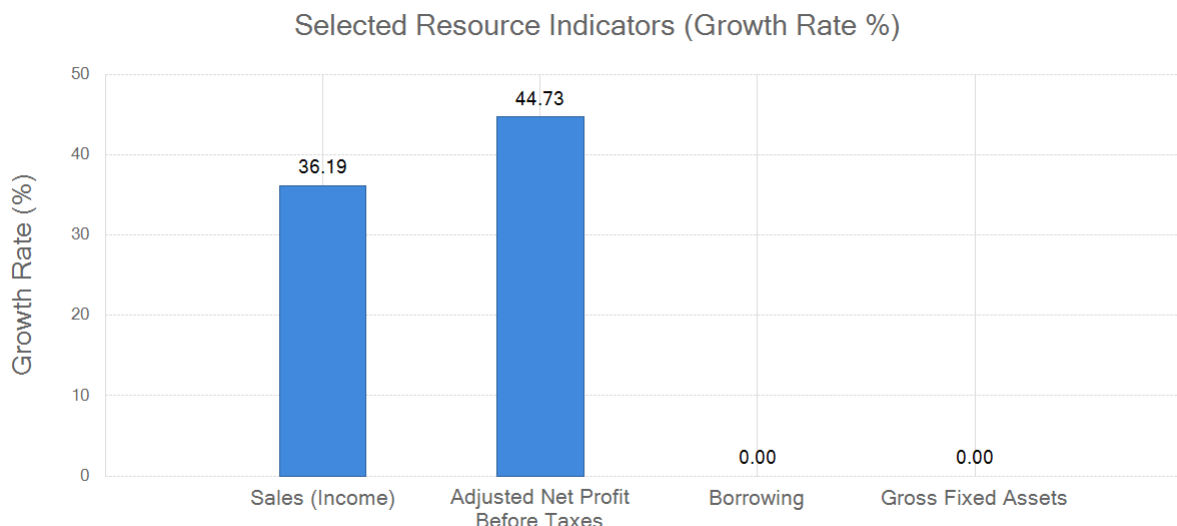
This metric shows total payroll expense for the company as a percentage of sales.

Sales 86 out of 100

A measure of how sales are growing and whether the sales are satisfactory for the company.

The company's sales have risen significantly this period, even relative to the sales growth of other similar companies. Even better, the company has increased sales without changing its fixed asset base very much. The company has simply found a way to increase sales without making long-term capital expenditures. If the company can continue to increase sales over

the long run, it should be able to improve profitability if expenses are managed correctly. **The challenge now is to determine what factor is responsible for the sales increase and to leverage it.** For example, asset levels did not need to change much to drive in higher sales. Managers should determine which resources are helping to achieve company objectives (such as increased sales or profitability) and then employ those resources in the right way.



This data is based on the two most recent available periods.

Borrowing ●●●●● 80 out of 100

A measure of how responsibly the company is borrowing and how effectively it is managing debt.

In this case, borrowing stayed about the same, yet net profitability improved significantly. It actually looks like borrowing may not have contributed to the improved profitability, since debt levels have stayed relatively flat. On the other hand, there is always the possibility that this period's improvement in profitability was the result of past borrowing activities. The general summary is that it is important to assess the causes of improved profitability to know what resources to lever in the future.

Note: Although the overall score is high in this area, the company does not have much debt relative to equity. Consequently, we should not put too much emphasis on this section of the report. Debt does not seem to be a significant part of the Balance Sheet at this time.

The improved profitability is favorable; now the question is whether or not to borrow additional funds. The answer depends on whether increased debt (or the assets bought with the debt) will improve net profitability in the future. In the final analysis, the company should carefully work through a good cash flow and profitability forecast to determine the best course of action.

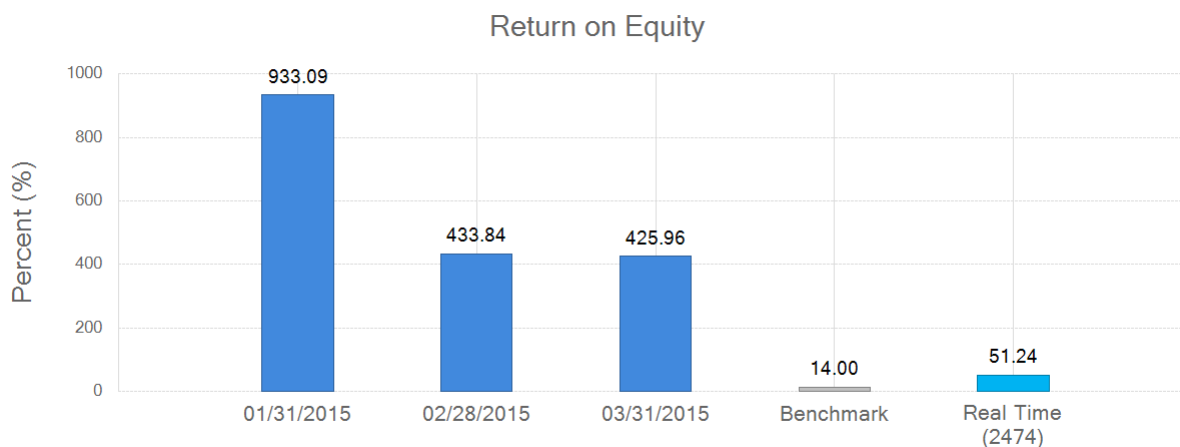
Assets ●●●●● 92 out of 100

A measure of how effectively the company is utilizing its gross fixed assets.

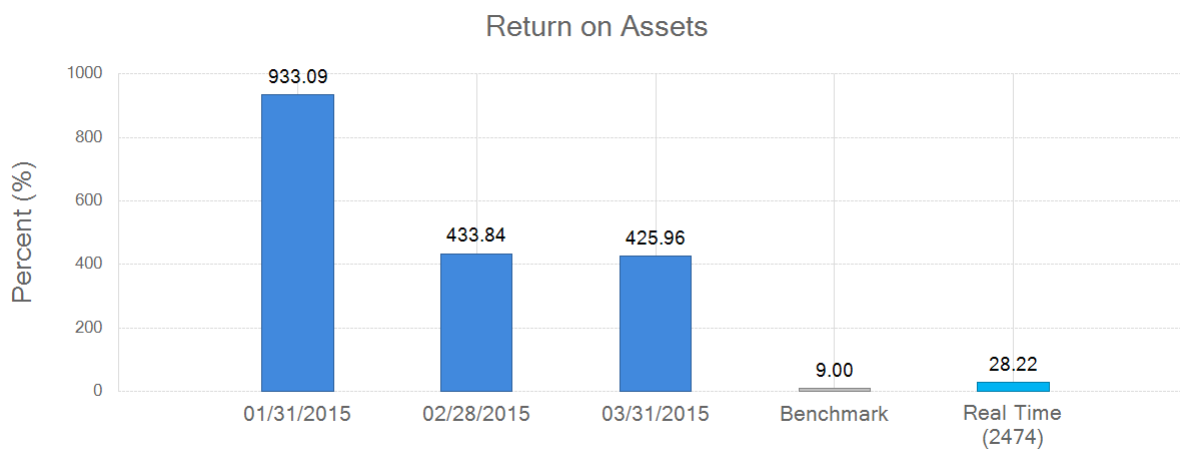
This period, profitability improved significantly but fixed asset levels stayed relatively flat. This means: 1) profitability was able to improve without adding assets, and 2) the company **may** not need additional assets to continue to improve profitability at this specific time. In other words, the company may be able to grow profitability a bit more with the level of

assets currently in place. This should also continue to help improve net margins, which also improved this period. An improvement in net margins is an indication of improved efficiency as the company has a relatively stable asset base.

It is also positive to see above average returns on assets and equity, since these metrics are of critical importance to external and internal investors. The fixed asset ratio of the company is high as well, which means that the company is driving an adequate amount of revenue through each dollar invested in fixed assets.

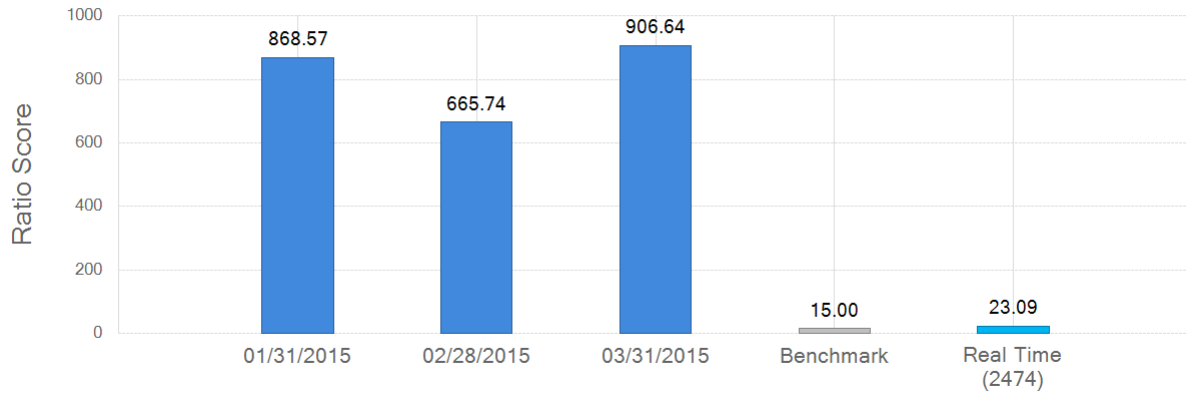


This measure shows how much profit is being returned on the shareholders' equity each year. It is a vital statistic from the perspective of equity holders in a company. The higher the better.



This calculation measures the company's ability to use its assets to create profits. Basically, ROA indicates how many cents of profit each dollar of asset is producing per year. It is quite important since managers can only be evaluated by looking at how they use the assets available to them. The higher the better.

Fixed Asset Turnover



This asset management ratio shows the multiple of annualized sales that each dollar of gross fixed assets is producing. This indicator measures how well fixed assets are "throwing off" sales and is very important to businesses that require significant investments in such assets. Readers should not emphasize this metric when looking at companies that do not possess or require significant gross fixed assets. The higher the ratio, the more effective the company's investments in Net Property, Plant, and Equipment are.

A NOTE ON SCORING: Each section of this report (Liquidity, Profits & Profit Margin, etc.) contains a numerical score/grade, which is a rough measure of overall performance in the area. Each grade represents a score from 1 to 100, with 1 being the lowest score and 100 being the highest. Generally, a score above 50 would be a "good" score and a score below 50 would be a "poor" score. The scores are derived by evaluating the company's trends, either positive or negative, over time and by comparing the company to industry averages for different metrics.

Financial Data

Income Statement Data	01/31/2015	02/28/2015	03/31/2015
Sales (Income)	\$207,443	\$159,000	\$216,535
Design Income	\$179,009	\$159,000	\$216,535
Internal Labor Income	\$28,434	\$0	\$0
Cost of Sales (COGS)	\$0	\$0	\$0
Depreciation (COGS-related)	\$0	\$0	\$0
Direct Materials	\$0	\$0	\$0
Direct Labor	\$0	\$0	\$0
Gross Profit	\$207,443	\$159,000	\$216,535
Gross Profit Margin	100.00%	100.00%	100.00%
Depreciation	\$0	\$0	\$0
Amortization	\$0	\$0	\$0
Overhead or S,G,& A Expenses	\$131,911	\$106,033	\$139,874
G & A Payroll Expense	\$76,234	\$75,410	\$66,719
Rent	\$3,928	\$578	\$2,928
Advertising	\$1,174	\$500	(\$155)
Bank Charges	\$105	\$135	\$65
Computer Software	\$438	\$1,078	\$1,051
Conference Expense	\$0	\$495	\$0
Dues & Subscriptions	\$50	\$150	\$0
Employee Benefits	\$7,576	\$6,453	\$16,516
Insurance	\$80	\$80	\$80
Meals and Entertainment	\$782	\$1,011	\$260
Office Expenses	\$600	\$95	\$597
Parking	\$0	\$5	\$0
Printing Expense	\$0	\$78	\$0
Promotional	\$50	\$0	\$0
Professional Fees	\$10,058	\$2,509	\$4,652
Legal & Professional Fees:Accounting	\$240	\$0	\$0
Professional Fees:Graphic Design	\$12,500	\$12,500	\$0
Cross Office Labor	\$14,630	\$0	\$41,401
Shipping and delivery expense	\$67	\$135	\$60
Telephone & Internet	\$667	\$875	\$531
Travel	\$2,733	\$3,944	\$5,169
Other Operating Income	\$0	\$0	\$0
Other Operating Expenses	\$0	\$0	\$0
Operating Profit	\$75,532	\$52,967	\$76,661
Interest Expense	\$0	\$0	\$0
Other Income	\$0	\$0	\$0
Other Expenses	\$0	\$0	\$0
Net Profit Before Taxes	\$75,532	\$52,967	\$76,661
Adjusted Net Profit Before Taxes	\$75,532	\$52,967	\$76,661
Net Profit Margin	36.41%	33.31%	35.40%
EBITDA	\$75,532	\$52,967	\$76,661
Taxes Paid	\$0	\$0	\$0
Extraordinary Gain	\$0	\$0	\$0
Extraordinary Loss	\$0	\$0	\$0
Net Income	\$75,532	\$52,967	\$76,661
Balance Sheet Data	01/31/2015	02/28/2015	03/31/2015
Cash (Bank Funds)	\$94,272	\$143,639	\$213,100
Accounts Receivable	\$0	\$0	\$0

Inventory	\$0	\$0	\$0
Other Current Assets	\$0	\$0	\$0
Total Current Assets	\$94,272	\$143,639	\$213,100
Gross Fixed Assets	\$2,866	\$2,866	\$2,866
Accumulated Depreciation	\$0	\$0	\$0
Net Fixed Assets	\$2,866	\$2,866	\$2,866
Gross Intangible Assets	\$0	\$0	\$0
Accumulated Amortization	\$0	\$0	\$0
Net Intangible Assets	\$0	\$0	\$0
Other Assets	\$0	\$0	\$0
Total Assets	\$97,138	\$146,505	\$215,966
Accounts Payable	\$0	\$0	\$0
Short Term Debt	\$0	\$0	\$0
Notes Payable / Current Portion of Long Term Debt	\$0	\$0	\$0
Other Current Liabilities	\$0	\$0	\$0
Total Current Liabilities	\$0	\$0	\$0
Notes Payable / Senior Debt	\$0	\$0	\$0
Notes Payable / Subordinated Debt	\$0	\$0	\$0
Other Long Term Liabilities	\$0	\$0	\$0
Total Long Term Liabilities	\$0	\$0	\$0
Total Liabilities	\$0	\$0	\$0
Preferred Stock	\$0	\$0	\$0
Common Stock	\$0	\$0	\$0
Additional Paid-in Capital	\$0	\$0	\$0
Other Stock / Equity	\$0	\$0	\$0
Ending Retained Earnings	\$97,138	\$146,505	\$215,966
Total Equity	\$97,138	\$146,505	\$215,966
Total Liabilities + Equity	\$97,138	\$146,505	\$215,966

Common Size Statements

Income Statement Data	01/31/2015	02/28/2015	03/31/2015	Industry*
Sales (Income)	100%	100%	100%	100%
Design Income	86%	100%	100%	--
Internal Labor Income	14%	0%	0%	--
Cost of Sales (COGS)	0%	0%	0%	31%
Depreciation (COGS-related)	0%	0%	0%	2%
Direct Materials	0%	0%	0%	11%
Direct Labor	0%	0%	0%	41%
Gross Profit	100%	100%	100%	69%
Depreciation	0%	0%	0%	1%
Amortization	0%	0%	0%	0%
Overhead or S,G,& A Expenses	64%	67%	65%	59%
G & A Payroll Expense	37%	47%	31%	39%
Rent	2%	0%	1%	3%
Advertising	1%	0%	N/A	1%
Bank Charges	0%	0%	0%	--
Computer Software	0%	1%	0%	--
Conference Expense	0%	0%	0%	--
Dues & Subscriptions	0%	0%	0%	--
Employee Benefits	4%	4%	8%	--
Insurance	0%	0%	0%	--
Meals and Entertainment	0%	1%	0%	--
Office Expenses	0%	0%	0%	--

Parking	0%	0%	0%	--
Printing Expense	0%	0%	0%	--
Promotional	0%	0%	0%	--
Professional Fees	5%	2%	2%	--
Legal & Professional Fees:Accounting	0%	0%	0%	--
Professional Fees:Graphic Design	6%	8%	0%	--
Cross Office Labor	7%	0%	19%	--
Shipping and delivery expense	0%	0%	0%	--
Telephone & Internet	0%	1%	0%	--
Travel	1%	2%	2%	--
Other Operating Income	0%	0%	0%	0%
Other Operating Expenses	0%	0%	0%	2%
Operating Profit	36%	33%	35%	7%
Interest Expense	0%	0%	0%	0%
Other Income	0%	0%	0%	0%
Other Expenses	0%	0%	0%	0%
Net Profit Before Taxes	36%	33%	35%	7%
Adjusted Net Profit Before Taxes	36%	33%	35%	7%
EBITDA	36%	33%	35%	8%
Taxes Paid	0%	0%	0%	2%
Extraordinary Gain	0%	0%	0%	0%
Extraordinary Loss	0%	0%	0%	0%
Net Income	36%	33%	35%	4%

Balance Sheet Data	01/31/2015	02/28/2015	03/31/2015	Industry* (2474)
Cash (Bank Funds)	97%	98%	99%	28%
Accounts Receivable	0%	0%	0%	39%
Inventory	0%	0%	0%	0%
Other Current Assets	0%	0%	0%	3%
Total Current Assets	97%	98%	99%	78%
Gross Fixed Assets	3%	2%	1%	39%
Accumulated Depreciation	0%	0%	0%	25%
Net Fixed Assets	3%	2%	1%	14%
Gross Intangible Assets	0%	0%	0%	0%
Accumulated Amortization	0%	0%	0%	0%
Net Intangible Assets	0%	0%	0%	0%
Other Assets	0%	0%	0%	7%
Total Assets	100%	100%	100%	100%
Accounts Payable	0%	0%	0%	8%
Short Term Debt	0%	0%	0%	0%
Notes Payable / Current Portion of Long Term Debt	0%	0%	0%	0%
Other Current Liabilities	0%	0%	0%	28%
Total Current Liabilities	0%	0%	0%	51%
Notes Payable / Senior Debt	0%	0%	0%	1%
Notes Payable / Subordinated Debt	0%	0%	0%	0%
Other Long Term Liabilities	0%	0%	0%	1%
Total Long Term Liabilities	0%	0%	0%	17%
Total Liabilities	0%	0%	0%	67%
Preferred Stock	0%	0%	0%	0%
Common Stock	0%	0%	0%	2%
Additional Paid-in Capital	0%	0%	0%	3%
Other Stock / Equity	0%	0%	0%	2%
Ending Retained Earnings	100%	100%	100%	24%
Total Equity	100%	100%	100%	33%
Total Liabilities + Equity	100%	100%	100%	100%

Industry Ratios and Scorecard

Financial Indicator	Current Period	Industry Range	Distance from Industry
Current Ratio = Total Current Assets / Total Current Liabilities Explanation: Generally, this metric measures the overall liquidity position of a company. It is certainly not a perfect barometer, but it is a good one. Watch for big decreases in this number over time. Make sure the accounts listed in "current assets" are collectible. The higher the ratio, the more liquid the company is.	213,100.00	1.60 to 2.70	+7,892,492.59%
Quick Ratio = (Cash + Accounts Receivable) / Total Current Liabilities Explanation: This is another good indicator of liquidity, although by itself, it is not a perfect one. If there are receivable accounts included in the numerator, they should be collectible. Look at the length of time the company has to pay the amount listed in the denominator (current liabilities). The higher the number, the stronger the company.	213,100.00	1.00 to 2.20	+9,686,263.64%
Gross Profit Margin = Gross Profit / Sales Explanation: This number indicates the percentage of sales revenue that is not paid out in direct costs (costs of sales). It is an important statistic that can be used in business planning because it indicates how many cents of gross profit can be generated by each dollar of future sales. Higher is normally better (the company is more efficient).	100.00%	60.00% to 76.00%	+31.58%
Net Profit Margin = Adjusted Net Profit before Taxes / Sales Explanation: This is an important metric. In fact, over time, it is one of the more important barometers that we look at. It measures how many cents of profit the company is generating for every dollar it sells. Track it carefully against industry competitors. This is a very important number in preparing forecasts. The higher the better.	35.40%	1.50% to 8.00%	+342.50%
Advertising to Sales = Advertising / Sales Explanation: This metric shows advertising expense for the company as a percentage of sales.	-0.07%	0.50% to 3.25%	+114.00%
Rent to Sales = Rent / Sales Explanation: This metric shows rent expense for the company as a percentage of sales.	1.35%	1.00% to 4.50%	0.00%
G & A Payroll to Sales = G & A Payroll Expense / Sales Explanation: This metric shows G & A payroll expense for the company as a percentage of sales.	30.81%	35.00% to 49.00%	+11.97%
Total Payroll to Sales = (Direct Labor + G & A Payroll Expense) / Sales Explanation: This metric shows total payroll expense for the company as a percentage of sales.	30.81%	--	--
Return on Equity* = Net Income / Total Equity Explanation: This measure shows how much profit is being returned on the shareholders' equity each year. It is a vital statistic from the perspective of equity holders in a company. The higher the better.	425.96%	8.00% to 20.00%	+2,029.80%
Return on Assets* = Net Income / Total Assets Explanation: This calculation measures the company's ability to use its assets to create profits. Basically, ROA indicates how many cents of profit each dollar of asset is producing per year. It is quite important since managers can only be evaluated by looking at how they use the assets available to them. The higher the better.	425.96%	6.00% to 12.00%	+3,449.67%