



Armanino<sup>LLP</sup> Welcomes You To Today's Webinar:

**First-Time Financial Statement Audits:  
Understanding the ROI for Tech Companies**

The presentation will begin in a few moments

*Participants will receive an email within 48 hours with a link to the slide deck and recording.*

# About the Presenters



## **Dean Quiambao, CPA** **Partner, Armanino LLP**

- 12+ years as an auditor in Armanino's audit department
- Transitioned to "Chief Relationship Builder"
- Helps numerous technology companies address their tax, audit and outsourced accounting needs
- American Institute of Certified Public Accountants (AICPA)
- California Society of Certified Public Accountants (CalCPA)
- Graduate of the University of California, Davis

# About the Presenters



## **Ricardo Martinez, CPA**

### **Partner, Armanino LLP**

- Joined Armanino in 2010
- 12+ Years of experience with KPMG; worked with their global methodology department revising the global firm's audit and internal control methodologies
- Specializes in technology and related industries
- American Institute of Certified Public Accountants (AICPA)
- California Society of Certified Public Accountants (CalCPA)
- Graduate of Santa Clara University

# About the Presenters



## **Ivan Makarov** **Controller, SmugMug**

- Head of Finance, Accounting, and Tax at the photo sharing and e-commerce platform SmugMug in Mountain View, CA
- Certifications: CPA in California, CGMA
- SaaS, Mobile, Ecommerce
- 5+ years of Big 4 experience in public accounting (EY, PwC)
- Master of Accountancy with emphasis in Tax, Brigham Young University



## During today's webinar, participants will:

- Identify the triggers to begin considering engaging an external auditor
- Review the value of an audit for uncovering:
  - Areas of risk
  - Opportunities for improvement
  - Relevant financial metrics
- Recognize how partnering with an auditor who specializes in technology accounting is beneficial



# Presentation Overview



- State of Tech
- Common Audit Triggers
- Value of a First-Time Audit
- Recommendations



# State of Technology Industry



**\$58.8B in total VC investments in 2015**

**Only \$14.8 billion invested in Q1'16**

- Total of 1,035 Deals
- Decrease from Q4'15

**Downrounds on the rise**

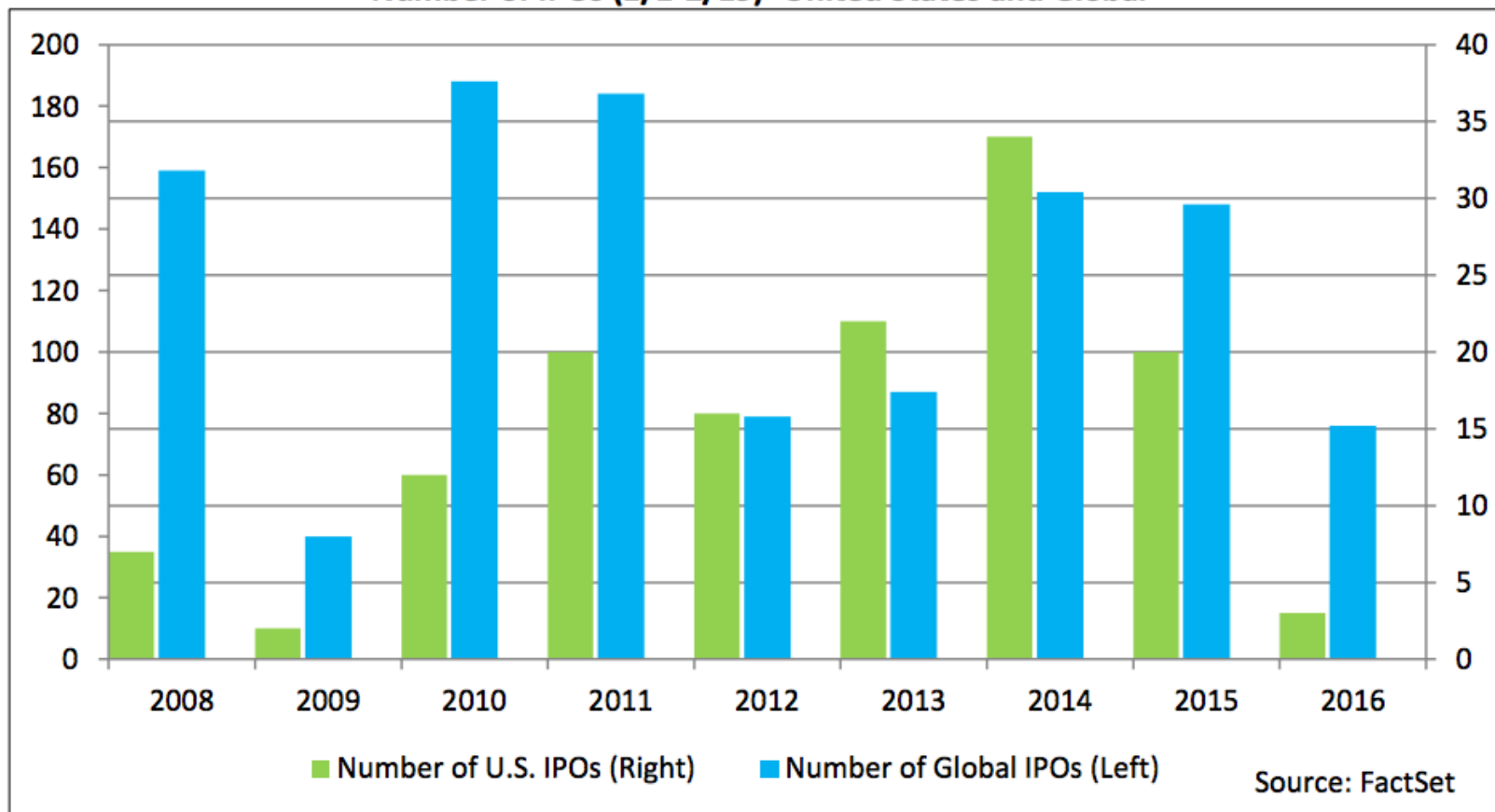
- 60 downrounds since 2015
- ***SF Business Times* Employment Tracker**



# IPO Market



Number of IPOs (1/1-2/19)- United States and Global

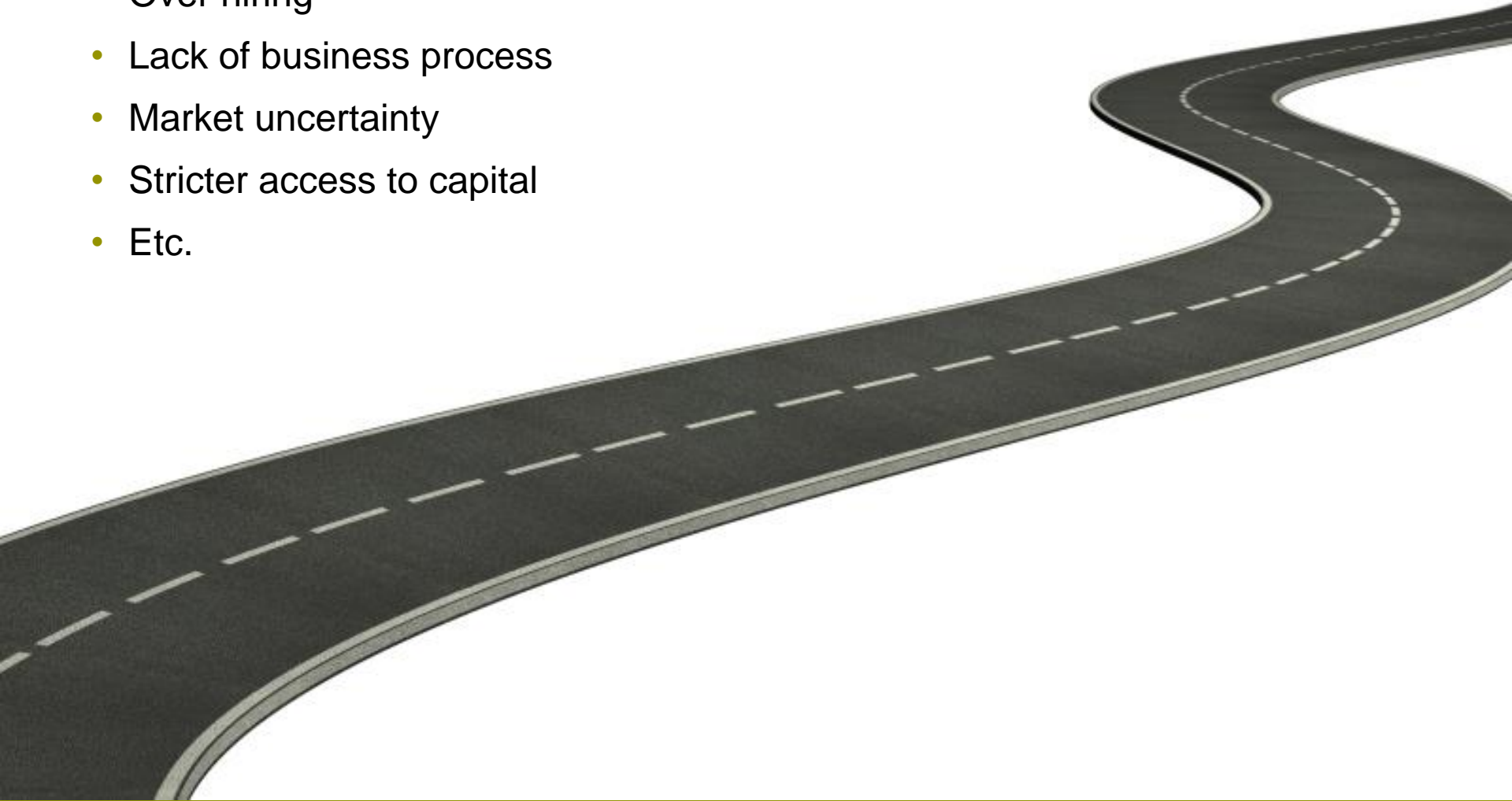


<http://www.businessinsider.com/ipo-market-has-dried-up-in-2016-2016-3>

# How did we get here?



- Over hiring
- Lack of business process
- Market uncertainty
- Stricter access to capital
- Etc.





Accurate financial statements can  
help CFOs make the right decisions  
for their business



# SmugMug Case Study



- Premium photo sharing and image hosting service
- Millions of customers storing billions of valuable photos and videos
- Founded in 2002
- 120+ Employees
- Tens of Millions in Revenue
- Family-Owned Business
- Achieved growth while resisting buyout offers

# SmugMug's Challenges



## Accounting function hadn't matured

- Operating like a smaller company
- Holdover processes



# SmugMug's Challenges



## Wanted to add more value

- Be able to report the meaning behind the numbers
- Footnotes can help explain financial data





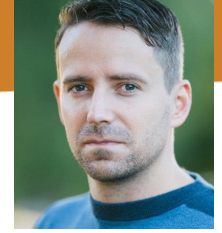
## Process validation

- Accounting methodology questions
- Processes were never reviewed thoroughly by 3<sup>rd</sup> party
- Earn GAAP compliance
  - Challenging for private companies



# Value of a First-Time Audit

# SmugMug's Audit Experience



- Greater confidence in accuracy and relevance of financial reporting
- Identified opportunities for improving processes for greater efficiency and accuracy
- Much faster review with credit card/merchant services companies
- Merchant services (B2C) review annually, much easier to do



# SmugMug's Audit Experience



- Improved relationships with business partners
- Access to liquidity:
  - American Express nearly doubled their credit limit
  - Added 2% cashback savings

# Other Benefits: Validation



- The results of your operations
- Meeting accounting standards (i.e., Revenue Recognition, Cost Capitalization, etc.)
- Internal controls
- Presentation of financial statements (e.g., telling the best story) as you talk to banks and other funders



# Other Benefits: M&A Transaction



- Valuations



# Recommendations

# If you're considering leveraging an audit...



- Talk to a CPA that cares about your future and understands your business
- Industry specialist
- Hands on approach – True partner
  - Service provider beyond the audit
- Partner time





## During this webinar, we've covered:

- Triggers to begin considering engaging an external auditor
- Value of an audit
- How partnering with an auditor who specializes in technology accounting is beneficial







## CONTACT US

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