The Association of Accountants and Financial Professionals in Business

DAYTON CHAPTER

June, 2023

The Balance Sheet

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President's Message

I know summer just officially started, but it seems like it is flying by. Some of you may be ready to start dealing with quarter-end or maybe even year-end close.

The chapter board has already had several sessions to start planning our next year of dinner meeting sessions. It is always exciting to think about the opportunities we have to connect with local speakers and leaders within the Miami Valley.

We are looking to host a social event each month during the summer. For June, we are meeting at Ray's Wine-Spirits-Grill. This event is in the Englewood area. We try to offer various locations around the valley to offer convenient locations for members in different areas. We will also be looking at returning to the Levitt Pavilion, since it is a great opportunity to enjoy free entertainment in our community.

If you have an idea for a topic or speaker, or even a possible facility tour, social or community service event, that you would like considered, just contact us at dayton@imachapter.org .

. ***Paul Myers***

Dayton IMA –June Social Outing

Ray's Wine – Spirits - Grill

When: **June 29th, 2023 6:00 p.m.**

Where: Ray's Wine – Spirit's - Grill
8268 N. Main St., Clayton, OH 45415

Why: To have a good time; network with fellow members

Who: You as well as guests are welcome!

Rsvps are encouraged to insure seating, you can let us know if you are coming at dayton@imachapter.org

https://www.rayswinespiritsgrill.com/

A New Lending Environment?

From IMA Member, Ron Dimattia, https://www.corporatevaluepartners.com/home

“History never repeats itself, but it does often rhyme.” Recently I was thinking about this quote, which is often credited to Mark Twain.

Sharp interest rate rises, the failure of Silicon Valley Bank (and others), stricter capital requirements put in place by the Federal Reserve Bank (the “Fed”) and frequent predictions of an upcoming recession, all reminded me of the early 1990’s just before our economy went into a period of very tight banking conditions. There are meaningful differences between now and then, but mid-2023 does seem to rhyme with the early 1990’s in some important ways.

It also reminded me of my friend, John Romney (RF Investment Partners www.RF-Partners.com). We worked together in the early 1990’s on a number of troubled credit situations. I often think about the things I learned from John, so I asked him for his thoughts about current lending conditions.

“The lending environment today mirrors, yet is slightly different from, other credit cycles I’ve witnessed since I started my lending and investing career in 1981,” John said. He continued by noting, “The current lending environment exhibits less specific industry issues (other than the global response to Covid) but is more closely correlated to fiscal and monetary policy missteps and over-reach that have had a significant influence on the lending environment. The combination of factors has real consequences for bank borrowers.”

Possible Changes

The credit environment in the early 1990’s had some unique characteristics that may be insightful to remember now, just in case some of them return. Here are a few:

1. Banks were aggressive about monitoring their industry exposure in the early 1990’s. Bankers would look at their portfolio of loans, and if they felt they had too much exposure to a particular industry or economic sector, they would sharply restrict their lending and even invite some shakier borrowers to find a new bank (a polite way to put it). That’s what kept John and I busy in the early 1990’s. When you combine stricter capital requirements by the Fed with banks possibly attempting to “re-balance” their portfolio, it could lead to traditional commercial bank loans being harder to find for many more companies.

2. Non-bank financial institutions, which were new at the time, played a significant role as a financing source in the early 1990’s to fill the gap left by banks. “Non-bank” means companies that lend money but are not regulated in the same way that banks are. Good examples would be Blackstone and RF Investment Partners. Interestingly, non-bank financial institutions have been much more active in recent months according to several articles and may stay busy if current banking conditions persist.

3. Non-bank financial institutions have more flexibility to make loans and can be more creative in how they structure loans. But they can be more expensive (interest and other fees) and can have fairly complex loan structures. While it can take more time and effort to identify non-bank lenders that have an interest in your industry and company, once they get on board they can often move quickly to provide financing that wouldn’t be available otherwise.

4. Loan terms are often stricter in tight banking markets. Loan fees could increase (such as closing fees, documentation fees and collateral maintenance fees) and loan structures could be less forgiving (such as tighter and more loan covenants, prepayment penalties and excess cash flow sweeps – depending on the company)

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UPCOMING WEBINARS

LEADERSHIP ACADEMY

Listening Skills

Tuesday, July 11, 2023 from 1 p.m. to 2:30 p.m. (EDT)
Field of Study – Personal Development – Leadership

The benefits of good listening can be seen at the individual, team, and organizational levels. Yet, we often take listening for granted and assume that everyone can listen. Good listening requires focus and concentrated practice, and this webinar can give you an opportunity to discover how and what to practice in order to improve your listening skills. Learn how listening makes you a better leader and can help you lay the foundation for healthy workplace relations and a more effective and productive team.

INSIDE TALK

The FP&A Skillset of the Future: AI, Analytics, and More

Wednesday, July 12, 2023 from 1 p.m. to 2:00 p.m. (EDT)
Field of Study – Business Management & Organization – Strategy, Planning & Performance

Join Tim Caudill and Björn Schmidt, from Jedox, as they examine how the skillsets of top performing FP&A organizations are evolving to leverage emerging technologies, techniques, and processes. In this webinar, they will review FP&A's AI journey so far and explore where it is likely to move in the short to medium term. They also will highlight the value of analytical capabilities in your day-to-day activities and present real-life examples.

After this webinar, you will be able to:

1. Identify emerging skills and technologies that can unlock competitive advantage in the FP&A organization.
2. Review the future of FP&A's AI journey both in the short and medium term.

Mastering Controls in your ERP

Wednesday, July 19, 2023 from 1 p.m. to 2:00 p.m. (EDT)
Field of Study – Information Technology – Technology & Analytics

In today's rapidly evolving business landscape, implementing robust controls within your ERP system is crucial for ensuring operational efficiency, risk mitigation, and financial integrity. Join the Connor Group as we dive into the significance of controls, essential controls to consider, and practical strategies for implementing controls within your ERP. Through real-world examples and best practices, you will gain a comprehensive understanding of key control principles and learn how to identify, implement, and sustain effective controls that align with your organization's goals and objectives.

After this webinar, you will be able to:

1. Explain the significance of controls.
2. Identify key control considerations.
3. Discuss how to implement effective controls with real-world examples.
4. Recognize the importance of long-term control maintenance and improvement to help improve enterprise resource planning.

http://www.imanet.org/learning_center/IMAWebinars.aspx

IMA and HFMA Release Report on Cost Management in Healthcare

Montvale, N.J., May 23, 2023 – As the complexities faced by one of the largest and most essential industries continue to rise, IMA® (Institute of Management Accountants) and the Healthcare Financial Management Association (HFMA), today released "Cost Management in Healthcare: Status Quo and Opportunities." The joint report acknowledges the challenges, identifies opportunities, and presents actionable recommendations for accounting and finance leaders to help healthcare institutions improve quality while lowering costs.

Through roundtable discussions with 20 leaders in financial management, accounting, and analytics roles, IMA and HFMA sought to examine the role of management accounting in the U.S. healthcare industry. The resulting report reveals a growing business demand for the finance function to deliver greater value through efficient data analysis and strategic insight generation with recommendations on how to prepare teams to meet current and future demands.

"Many healthcare providers are focused on developing value-based care models and other risk arrangements, causing a challenge on the finance side," said Richard Gundling, CMA, FHFMA, senior vice president of professional practice at HFMA. "However, for providers to deliver value in healthcare, they must have accurate, actionable data on the two elements driving the value equation: quality of the care delivered and cost of providing the care. Our report offers key recommendations on how institutions can link quality and cost metrics to quantify the value of care provided."

To achieve optimal financial and value outcomes for healthcare institutions, the research shows how healthcare's finance function can upskill its workforce to become analytical thinkers, bolster data accessibility and integration for strategic decision-making, and contribute to the advancement of health equity.

"Strained resources and limited adoption of advanced technologies and data analytics tools continue to cause prevailing challenges for healthcare institutions," said Loreal Jiles, vice president of research and thought leadership at IMA. "However, championing modernization can enable institutions to collect insights based on real-time data, support the resolution of complex issues across business lines from an analytical perspective, and use financial data for cross-functional collaborations."

The accounting and finance function continues to play an increasingly pivotal role as the healthcare industry progressively shifts toward value-based delivery. As such, finance teams must modernize current cost practices to meet the demanding industry needs of quality, value and low cost.

For more information, visit: https://www.imanet.org/research-publications/ima-reports/Cost-Management-In-Healthcare-Status-Quo-and-Opportunities

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A New Lending Environment? *(continued from page 2)*

5. Covenant violations are usually more difficult to resolve when banking conditions are tight and are often accompanied by serious meetings with the lender who demands to see a lot of information to get comfortable that the loan can be repaid. Additionally, lenders are more likely to enforce covenant waiver fees.

6. A focus on quality of collateral (accounts receivable, inventory and fixed assets), quality of earnings and overall due diligence are more common when banking conditions are tight. More frequent reporting (sometimes on a weekly basis) is more likely as well.

Hopefully none of this will come to pass but given current trends it makes sense to be prepared. In closing, John noted, "The big lessons to remember are: 1) Build realistic financial budgets and forecasts, 2) Increase communications with your current lenders, 3) Work with experienced professionals such as CPA's and attorneys when you need funding, and 4) Be proactive not reactive."