

Spring 2026

## Management's Report Card, and More

The title of this newsletter comes from one of the first conversations I had with a good client of mine, many years ago. I was admiring their financial statements and told my client that they were "pretty." He laughed when I said it, and then said, "The financial statements are my report card. This is how I show people that I am doing a good job." He sure was.

I often think about that conversation when I start a new engagement. I have had the pleasure of reading a number of really nice financial statements over the years. While financial statements are different at each client, good-looking financial statements often have common features.

### First Glance

When I read financial statements, I read them in the context of the company's industry and operations. I start by checking to see that what is reported in the financial statements aligns with what I would expect to see. If certain items do not align with my expectations (good or bad), I follow up to find out what caused it. As an example, if I know the company operates in a working capital heavy industry, and their working capital investment is fairly light, I ask about what is happening operationally to cause the difference.

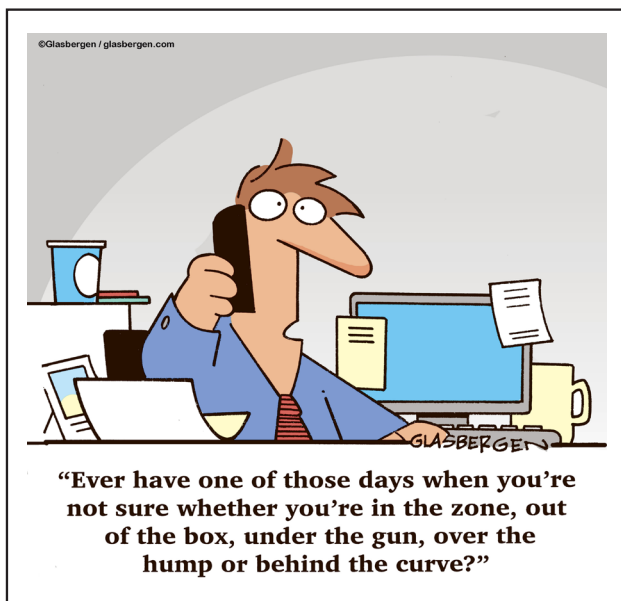
I try not to focus on sales and profit – they are good to see but are only

part of the story. Some things I look for off the bat in financial statements are:

- Adequate cash balance,
- Investment in working capital (accounts receivable and inventory net of accounts payable and accruals) that makes sense considering the industry,
- Consistent and measured investments in operating assets such as machinery and equipment,
- Liabilities structured so that there is no over-reliance on one form of financing,
- Equity that provides a cushion of stability in the capital structure, and
- Sales growth combined with good profit margins.

I also look at financial statements over time. A one-year snapshot is fine, but it is important for me to see how the financial statements look over a few years. Looking at multiple years' financial statements can provide insights about underlying trends, which gives me an idea of where a company has been, and where it is going.

When everything lines up and makes sense in financial statements, it paints a nice picture for a finance person.



Corporate Value Partners, Inc.

**Ronald D. DiMattia**, President, 4545 Hinckley Industrial Parkway, Cleveland, OH 44109  
(216) 741-1330 Office

ron@corporatevaluepartners.com • www.dealdesk.com



Corporate Value Partners, Inc.  
4545 Hinckley Industrial Parkway  
Cleveland, OH 44109-6009

# NEWS

## Corporate Finance Insights

### More Than one Use

Financial statements do not exist in isolation. They reflect all the activity in a company, in operations and administration, both good and bad. If there are strong or weak spots in the company, they show up somehow in the financial statements. The issues are often not glaring, but they are noticeable.

Timeliness is another important characteristic of financial statements because information loses its value when it is not timely. Which leads to an important point - financial statements serve multiple purposes. They certainly are a report card. But they are also a management and monitoring tool (along with other financial reports), and good management teams (along with banks and Boards of Directors) use them to

analyze operations. If it takes the accounting department a long time to produce financial statements each month, that slows down the decision-making process for managers and others, which can negatively affect operations and harm relationships.

Financial statements and other reports are a central part of a company's management control structure. But they just don't happen automatically. It takes work and good people to prepare them. All companies need a well-functioning and properly staffed accounting department to perform the important job of generating reliable financial statements and other reports. Managers, employees, bankers and shareholders all benefit when the financial reporting system operates properly.

Spring 2026



**Corporate Value  
Partners, Inc.**

Please contact Ronald DiMattia at Corporate Value Partners at (216) 741-1330 or [ron@corporatevaluepartners.com](mailto:ron@corporatevaluepartners.com) with any questions or if you need help with a valuation or corporate finance matter.

Corporate Value Partners is a corporate finance consulting firm. Services include:

- Preparing business valuations
- Assisting with the acquisition or sale of a business, business unit or product line
- Assisting with corporate performance measurements
- Assisting with the placement of debt financing
- Assisting creditors in corporate bankruptcies
- Assisting attorneys with the financial aspects of lawsuits