

# ACCOUNTING, FINANCE TAX & HR FOR STARTUPS



## VENTURE FUNDED COMPANY FINANCIAL, TAX AND HR DUE DILIGENCE CHECKLIST

Startups raising venture capital are closely scrutinized by potential investors. This due diligence helps the VC understand the operations and potential of the startup.

Kruze Consulting's clients have raised over half a billion dollars in venture and seed funding in the past 12 months, and we've seen many, many financial, tax and HR due diligence checklists used by top tier venture investors (and large corporate acquirers of startups).

This is a sample financial, tax and HR due diligence checklist that your startup can use to help be better prepared for a fund raise. Most venture capitalists have their own, unique due diligence checklist, but this is a consolidated list of the most common requests we see top tier investors making.

Of course, VC's will also conduct legal, sales and marketing, technology, market and other categories of due diligence, which we do not cover in this list.

Happy fundraising!

### FINANCIAL

REQUEST	PERIOD REQUESTED	NOTES	PRIORITY	STATUS
<b>INCOME STATEMENT</b>	Last 3 years By month and by year		High	
<b>BALANCE SHEET</b>	Last 3 years By month and by year		High	
<b>CASH FLOW STATEMENT</b>	Last 3 years By month and by year		High	
<b>FINANCIAL PROJECTIONS:</b> • Income Statement • Cash Balance	Next 3 years By month and by year	Explain the key KPIs and how they change as the company matures	High	

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<b>BOOKINGS HISTORY / PROJECTIONS</b>	Last 3 years Next 3 years By month and by year	For companies with sales teams	High	
<b>AR AGING AND PROJECTIONS</b>	Current period	Include and AR greater than 90 days past due	Low	
<b>DEFERRED REVENUE DETAILS AND PROJECTIONS</b>	Last 3 years By month and by year	Highlight the product or service associated with major deferred revenue positions	Low	
<b>SCHEDULE OF BAD DEBT AND WRITE OFFS</b>	Recent period, near-term projections	If any Include any material projections	Low	
<b>INVENTORY</b>	Current period	Value by SKU Include aging and any amounts deemed obsolete	Low	
<b>ACCOUNTS PAYABLE</b>	Current period	List of any employees or service providers that are unpaid, have not been paid in full to date, or are subject to any payment deferral arrangements	Low	
<b>NAME OF CURRENT ACCOUNTING SYSTEM</b>	Current	And the date started using the system	Low	
<b>NAME OF CURRENT PAYROLL SYSTEM</b>	Current	And the date started using the system, and payroll schedule (weekly, bi-monthly, monthly)	Low	
<b>CONTRACTS AND INVOICES FOR TOP 10 CLIENTS</b>	Current Period	Not relevant if not an enterprise sales model	High	
<b>CONTRACTS AND INVOICES FOR ANY CHURNED CLIENTS</b>	Last 6 months	Only material clients	High	

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<b>LEASES</b>	Current Period	Any agreements concerning the purchase, lease or sublease of real property Any personal property leases	Medium	
<b>MATERIAL CONTRACTS</b>	Current	Any agreements, understandings, instruments, contracts or proposed transactions to which the Company is a party or by which it is bound which involve obligations of, or payments to, the Company in excess of \$20,000	High	
<b>COST TO ACQUIRE CUSTOMER</b>	Current and Previous Year	Highlight expenses included and excluded	High	
<b>CUSTOMER LTV</b>	Current and Previous Year	Explain the assumptions behind the calculation	High	
<b>CUSTOMER CHURN RATE</b>	Current and Previous Year	Explain any changes in churn rate	High	

## TAX

REQUEST	PERIOD REQUESTED	NOTES	PRIORITY	STATUS
<b>FEDERAL TAX RETURNS</b>	Last 3 years		High	
<b>LOCAL / STATE TAX FILINGS</b>	Last 3 years		High	
<b>CORRESPONDENCE WITH TAX AUTHORITIES</b>	Since inception	Federal, state and local - any correspondence between the Company and the IRS or any state or local tax bureau or any federal, state or local governmental authority	High	

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<b>409A VALUATIONS</b>	Last 2	Copies of Internal Revenue Code Section 409A valuation reports	High	
<b>R&amp;D TAX CREDIT REPORTS</b>	Current Period		Medium	

## HR

REQUEST	PERIOD REQUESTED	NOTES	PRIORITY	STATUS
<b>ORGANIZATION CHART</b>	Current	Who reports to whom	High	
<b>SALARY SCHEDULE FOR ALL EMPLOYEES</b>	Current	Showing title, current base salary and bonus for all employees; include any obligations to terminated employees. Highlight any changes to salaries, bonuses or compensation to employees after the transaction	High	
<b>CONSULTANTS</b>	Current Period	List of consultants, role and cost	High	
<b>PROJECTED HIRING PLANS</b>	Next 3 Years	Projected hires by month, with title and projected compensation	High	
<b>TRANSACTIONS WITH OFFICERS</b>	Current Period	Any existing or proposed agreements, understandings or transactions between the Company and any of its officers, directors, material stockholders or any affiliate including, without limitation, non-competition agreements, employment agreements and non-form offer letters	High	

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<b>INSURANCE</b>	Current Period	Any insurance policies (including documentation regarding workers' compensation insurance) held by the Company or of which the Company is a beneficiary and a summary of such policies, if available	Medium	
<b>OFFER LETTER</b>	Current period	Copy of the Company's standard offer letter	Medium	
<b>SPECIAL EMPLOYEE AGREEMENTS</b>	Current period	All employment agreements and other documents (such as offer letters) that contain change of control, severance provisions, bonus provisions or acceleration of stock or option vesting	Medium	
<b>EMPLOYEE BENEFITS</b>	Current Period	Any employee benefit plans and arrangements, including, without limitation, stock option plans, bonus plans, pension plans, 401(k) plans insurance plans and forms of agreements (including copies of all form of option and stock agreements that are in use)	Medium	
<b>EMPLOYEE ACCRUED EXPENSES</b>	Current period	A list and breakdown of all outstanding accrued salary, paid time off, and reimbursable expenses	Medium	
<b>FOREIGN EMPLOYEES</b>	Current Period	If the Company has any foreign employees, a list (separated by country) of all benefits provided to foreign employees, and their locations	Medium	

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## ABOUT KRUZE CONSULTING



### A CPA FIRM SPECIALIZED IN STARTUP ACCOUNTING & TAX

Startups are our niche and our passion. Our clients have raised over half a billion in venture capital financing in the past 12 months. We are one of only a few accounting firms that specialize in funded startups - we only offer financial and tax services to fast-growing startups in the Seed, Series A, Series B, and Series C stages.



### A STARTUP TAX EXPERT

Nobody knows startup taxes better than our CPAs. Each year, we help hundreds of funded startups prepare federal and state taxes. Our firm has executed over \$3 million in startup R&D tax credits last year - that means we help our startup clients each save up to \$250,000 in payroll taxes each year. Our founder is a Deloitte Tax alumni, and our Vice President of Tax is a former IRS agent.



### TRUSTED BY TOP VC'S FOR THEIR STARTUPS' TAXES

Top angel investors and VCs refer Kruze because they trust us to give the right tax advice. Our clients are portfolio companies of top technology and Silicon Valley investors, including Y-Combinator, Kleiner, Sequoia, Khsola, Launch, Techstars and more. With us, your taxes are in order when it's time to raise another round of venture financing.



### A LEADER IN CLOUD ACCOUNTING SOFTWARE

Our practice is built on best of breed cloud accounting software like QuickBooks, Xero, Netsuite, Gusto, Zenefits, Expensify, Avalara, Brex and Bill.com. Technology makes us more efficient, saving our clients money and letting us offer higher value services like FP&A modeling, 409A valuation, and venture debt consulting. Startups deserve to work with CPAs using modern software.



### BE READY FOR YOUR STARTUP'S NEXT VENTURE CAPITAL ROUND

We know how to de-risk your startup's next venture capital round. When we do your startup's tax returns, we make sure you are ready to fly through your next VC's tax due diligence checklist. And when you use us as your bookkeeper, we maintain a due diligence folder so you can quickly respond to your next investor's accounting questions.



### ACCOUNTING, FINANCE, TAXES, & PAYROLL - ALL FOR STARTUPS

Startup CFO services, startup accounting, and bookkeeping services, startup annual taxes, expense reports, payroll, 409a, venture and venture debt consulting, FP&A, benefits: we've got your startup covered. And because we are leaders in cloud accounting software, we can deliver it all to startups at an affordable cost. Take your startup's finances to the next level with Kruze!



**Jason Calacanis**  
 Angel investor in Uber,  
 Robinhood, Thumbtack,  
 Wealthfront, and Calm.com

"Everybody, go to Kruze Consulting. They do a great job. I personally can tell you, they've done a great job for our companies, including Calm.com. I'm sure they'll do a great job for you."

## PRICING

### FINANCIAL CONSULTING

- Staff Accountant \$85
- Senior Staff Accountant \$110
- Controller \$140
- Financial Modeling \$400
- Junior Financial Modeling \$175
- Venture Debt \$400
- CFO \$350
- Tax Advisory \$395

### TAXES

- Starting at \$1,500 for Federal & 1 State.
- Each Additional State is \$500
- R&D Tax Credits - fixed fee of 15% of the anticipated captured credit amount with a minimum fee of \$2,000

### 409A VALUATION

- Seed \$1,500
- Seed A \$2,000
- Seed B \$2,500
- Seed C \$3,000

*Pricing is based on the volume and complexity of your unique business. All prices are subject to change.*