

Charming Charlie: A Retail Success Story

How CF&W Helped Charming Charlie Transition from a Texas Retail Business to a National Retail Presence

Calvetti, Ferguson & Wagner is a Houston-based full-service CPA firm specializing in tax, audit and advisory solutions for mid-market and multi-national clients.

In late 2008, the firm was contacted by Los Angeles-based private equity firm Hancock Park Associates to conduct audits for two of their portfolio companies. One of the companies, Charming Charlie, a Houston based chain of fashion accessory specialty stores, was experiencing explosive growth through new store openings and increased existing store sales. The significant growth highlighted the challenges faced by the company in the tax and financial reporting areas.

Challenge

Charming Charlie's success and rapid growth required management to quickly scale accounting operations to meet today's complex financial reporting requirements.

CF&W provided seasoned, partner-level advice and comprehensive solutions for Charming Charlie's business needs, and helped the company focus on critical accounting and financial reporting issues.

Solutions

Providing accounting and business advisory support, CF&W helped Charming Charlie's internal accounting team meet their immediate financial reporting needs, including:

Retail Inventory Management: The challenges of retail inventory management were multiplied in Charming Charlie's case, given the company's significant store expansion and product types: thousands of different products, multiples of those items and quickly-changing inventory. CF&W provided recommendations for improvements to the company's physical inventory procedures and systems (for example, moving from counting physical inventory at year-end to a cycle-count process supplemented with statistical sampling techniques), all designed to give Charming Charlie greater control over its inventory.

Lease Accounting: CF&W provided guidance (based on years of retail accounting experience) related to the incredibly complex issues involved

in lease accounting, including build-out of stores, rent escalations, prospective cash flows and sales-based rent.

Income Taxes: CF&W augmented the company's existing income tax advisor and internal staff to provide income tax advice and services, such as income tax provision calculation and reporting. The goals included meeting deadlines related to income tax reporting and consideration of newly adopted accounting guidelines related to uncertain tax provisions.

Conducting the First Audit: First-time audits are typically difficult, particularly when a company is in a high-growth stage. CF&W's approach to first time audits is meeting the client where they are, and helping them get where they need to be for compliance with accounting standards and reporting deadlines. In Charming Charlie's case, this meant applying a risk-based approach to the first audit, but making system and process improvement recommendations that will lead the company into a control-based approach in future audit years.

Results

Since initiating work with CF&W, Charming Charlie increased its store count from 14 stores to more than 40 stores and moved into 5 new states. The company plans to finish 2010 with 80 stores operating in 17 states. CF&W helped position the company to better handle its explosive expansion and capitalize on its remarkable growth opportunity.

About CF&W

CF&W is a middle market public accounting and business advisory firm that focuses on multinational enterprises and companies in the energy industry. CF&W helps its clients manage enterprise risk and improve organizational effectiveness through tailored finance, tax and accounting solutions that combine sound business sense and industry experience with a deep technical knowledge base. Headquartered in Houston, Texas, CF&W operates directly and through partners around the world. For more information, visit www.cfw-cpa.com or call 713-957-2300.