

# CASE STUDY

**How Kirsch CPA Group  
Supported a Cincinnati  
Entrepreneur from  
Business Acquisition  
through Successful Sale**



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## How Kirsch CPA Group Supported a Cincinnati Entrepreneur from Business Acquisition through Successful Sale

The lifecycle of a business has distinct periods of ebb and flow, growth and retrenchment – and strategies have to change with them.

For a CPA firm to be a true partner in the success of a business over its lifecycle, accounting support and financial advisory services must serve the unique and dynamic goals of a business and its owners over the long-term. This requires a holistic and forward-looking approach that takes all aspects of the business into consideration, resulting in decisions made with accurate data and insightful advice.

That's how the owner and CEO of Cincinnati-based Kaleidoscope Innovation managed to acquire and grow a design consultancy business over nearly three decades, from the initial purchase, through a long period of growth and innovation, to its eventual sale to a multinational technology company with over \$12 billion in annual revenues.

“The accounting profession has always had a reputation – which is well-deserved – for being historians. We tend to look back in time, but we made an intentional decision to keep our clients looking towards the future. The service model that we have for our clients is forward-looking.”

**Kirsch CPA Founding Partner  
John Kirsch**



Highlights of the accounting and advisory services engagement between Kaleidoscope Innovation and the Kirsch CPA Group over a 20+ year business life cycle include:

- Tax services for the aspiring entrepreneur
- Successful acquisition of a medical and consumer products design consultancy
- Development of an improved system for monthly close process
- Switching from a C Corporation to an S Corporation
- Switching from accrual-based to cash-basis accounting for tax purposes
- Hiring and growth planning
- Equipment purchases
- Build-out of an internal accounting team
- Business valuation services, exit and retirement planning
- Successful sale of the business with protected performance payouts

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## Putting Down Roots

When Matt Kornau first became a client of Kirsch CPA Group, he just needed to get his taxes done. But Kornau, an aspiring entrepreneur and CEO at Kaleidoscope Innovation, had ambitious plans for the business, which innovates and designs a wide range of medical, consumer and industrial products.

When an opportunity arose to purchase the company in 1995, Kornau turned to Kirsch for the accounting and financial advisory services he needed to put his ambition into action.

It began with support and advice needed to vet, structure and close on the acquisition. But as the business grew, its financial and accounting needs became more complex.

## Early Challenges: Contractor Rates & Management Buy-In

An early challenge was ensuring that customer pricing was keeping up with rising costs.

Raising client rates required buy-in from the project team and management, who were initially resistant. They wanted one standard billing rate across all projects, regardless of who was working on it. Kirsch provided the financial advisory services needed to convince the team of the importance of a variable rate structure.

The results enabled the company to recruit a higher level of engineering talent to tackle increasingly complex product development. Kirsch also provided key insights into profitability and the drill-down into the numbers needed to answer a question that many businesses overlook: are the highest revenue clients really the most profitable?

In the case of Kaleidoscope, a smaller medical client proved to be more profitable than a much larger automobile maker.

A holistic and sophisticated approach to rates, profitability, and contractor utilization were all key to the long-term success of the company. As it grew, it also became important to ensure that Kaleidoscope's financial and accounting processes grew with it. Kirsch helped develop a better monthly close process to ensure that the business had the visibility it needed.

## The Power of Break-Even Analysis

As the Kirsch team continued its deep dive into Kaleidoscope's financials, a break-even analysis revealed windows of reduced profitability and key functions that were not profitable. Kirsch then provided the sales team with revenue targets to increase profitability.

Greater visibility into the financials, including the month-end closings, as well as profit and loss statements that ensured accuracy of all income and expenses, became increasingly important as the company grew. Detailed and reliable financial statements and a reliable cadence of review positioned Kaleidoscope to identify strengths, weaknesses, threats, and opportunities.

## A Bold Approach to Equipment Acquisition

Reliable financial insight can also provide the confidence that fuels innovation and Kornau had bold ideas. One was to equip the onsite model shop with equipment provided by a client at no charge in exchange for exclusivity. It was an unconventional idea, but it worked, and the deal went through. The resulting project has helped fuel growth.

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## Sale & Exit Planning

Over the years, the partnership between Kirsch and Kaleidoscope powered a wide array of other opportunities, for efficiency, for growth and for advantageous tax, hiring and expansion strategies. At the same time, they were also working towards a higher valuation for the company prior to its eventual sale.

Not only did Kaleidoscope have accurate, organized financials available at all times, but Kirsch also provided the advisory services that enabled the company to take advantage of strategic tax opportunities that included a switch from accrual based to cash basis, and a switch from a C Corporation to an S Corporation.

It was a sound place from which to begin planning his exit and Kornau began the process of taking his business to the selling table. Financial forecasts, recasts, and an intense level of financial documentation are needed to take any business to sale. An accurate business valuation, including a 3-year forecasted P&L, was key to establishing the market value and providing a solid foundation for the deal analysis and for negotiating the share purchase agreement.

At the finish line, accurate monthly financials and a holistic and reliable valuation was a solid advantage, and Kaleidoscope was

acquired by the Indian technology giant Infosys at a price higher than Kornau could have dreamed of when he started out 27 years ago. Kirsch helped negotiate sale terms that included the protection of performance payouts to ensure that Kornau could retire on his own terms.

For Kirsch CPA Group founding partner and namesake John Kirsch, it's the kind of story that inspired him to start the firm in the first place, and that still inspires his work every day.

"There is nothing more satisfying," he said of helping to drive a client's business success from start to finish.

## About Kaleidoscope Innovation

Kaleidoscope Innovation is a full-service product development firm innovating across medical, consumer and industrial markets. For over 30 years clients have partnered with Kaleidoscope to improve the human experience. Offering both consultancy-style and onsite services, they provide a full breadth of disciplines to meet their partners where needed, including Insights & Human Factors, Medical Affairs, Industrial Design & User Experience, Engineering, Visualization and Software Development. More: <https://kascop.com>

## About Kirsch CPA Group

Kirsch CPA Group provides the tax planning and preparation, accounting support, assurance, and financial advisory services that businesses and nonprofits need to grow profitably and increase return on mission (ROM). Kirsch serves business owners, managing directors and financial executives of organizations throughout Cincinnati, Dayton, southeast Indiana, and northern Kentucky. Clients of Kirsch CPA Group appreciate its forward thinking, responsive and results-oriented approach. Kirsch helps you look through the windshield instead of the rearview mirror, with innovative and strategic financial solutions that take your organization to the next level.

More: <https://kirschcpa.com>