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Spotlight Series: Drew Richards, Director, New England Cannabis Industry Leader at Marcum LLP



The CannaBusiness Advisory Spotlight Series features expert perspectives from Burns & Levinson clients and contacts who are blazing new trails in the cannabis market.

Today, we spotlight Marcum LLP and Drew Richards, Director, New England Cannabis Leader. Marcum LLP is an accounting and advisory services firm that offers accounting, financial and consulting services to cannabis industry operators. Based in New Haven, Drew Richards has 12 years of experience conducting, reviewing, and analyzing financial information. Marcum LLP was a Gold sponsor at Burns & Levinson's Sixth Annual State of the Cannabis Industry Conference, held on October 17th at the Westin Boston Waltham. Our nationally recognized conference convened national experts and industry leaders to share unique strategic legal and financial perspectives on forecasted trends, regulations, M&A, investments, and more.

From your corner of the cannabis industry, what's the single greatest challenge right now?

Although there are a lot of accounting-related challenges (280E, inventory valuation), including the various and different state regulations, I would say the biggest challenge right now centers around education and future operations. Business owners may not have accounting backgrounds, so they run their businesses without much consideration for generally accepted accounting principles (GAAP) or international financial reporting standards (IFRS). They are more focused on running the business, and rightfully so. Still, the management teams should also ensure that accounting and finance is not neglected, as they can have significant direct and indirect financial consequences.

Further, many of these businesses are uncertain of future operations due to the federal illegality and lack of traditional banking. Such uncertainty makes decisions around potentially going public or finding different avenues to obtain financing complex. Equity markets are tough, interest rates are up, and debt is even more expensive after adding the cannabis risk premium. Companies should focus on generating positive cash flows from operations and manage working capital closely.

How does your business solve issues related to this challenge?

Marcum is a full-service accounting firm with cannabis experts throughout our main service lines – tax, assurance, valuation, and advisory. We pride ourselves on being trusted advisors for companies at every step of their life cycle. In addition to the customary business challenges faced by any company in an emerging industry, operators in the cannabis industry must contend with the unprecedented challenge of conflicting legal parameters at the state and federal levels. Our professionals provide services that give investors, owners, and ancillary businesses the insight they need to succeed. I like to describe Marcum as a firm small enough to know you, yet big enough to serve you.

Tell us about a situation you've encountered that could only happen in the cannabis industry...

I was at a networking event a year ago (video conference), and the moderator was giving an introductory welcome and giving some background on the event, etc. Suddenly, while still on video, one of the participants lights up a joint and continues smoking while on the video conference. Being in the public accounting arena, this was shocking to me and almost comical. No one on the call reacted or made a big deal of it, which made me realize the stigma around cannabis. Would I have thought it unusual if this person was drinking a beer? Probably not.

If you could travel back in time by ten years, what would you tell your former self about the industry?

I would have told myself to get involved now and to talk to as many folks in the industry as possible. A lot goes into the cannabis industry, so education is key. There is a lot to learn and understand, and like any start-up, there are many roadblocks and complexities you don't plan for. Getting involved earlier would have allowed me to fully grasp all that goes into this space and be a trusted advisor early on.

Additionally, I would have told myself that the industry won't move as fast as you think toward federal legalization, so be patient and listen. If you told me it would take until October 2022 for the President of the United States to both pardon people of simple marijuana possessions and strongly push to review how marijuana is scheduled under federal law, I would have never believed you.