

On behalf of Vision Expo, we sincerely thank you for being with us this year.

Vision Expo Has Gone Green!

We have eliminated all paper session evaluation forms. Please be sure to complete your electronic session evaluations online when you login to request your CE Letter for each course you attended! Your feedback is important to us as our Education Planning Committee considers content and speakers for future meetings to provide you with the best education possible.



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Revenue, Profit & Cash Flow

Using Financial Statements to Understand Your Business

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Who is Nathan Hayes?

- Director of Financial Services at IDOC
- Built and Manages Books & Benchmarks
 - 1000+ practice evaluations
 - 3000+ Financial statements
 - Overhead and profitability
 - Mergers & Acquisitions
 - Compensation and bonuses
 - Partnership agreements
 - Practice valuations



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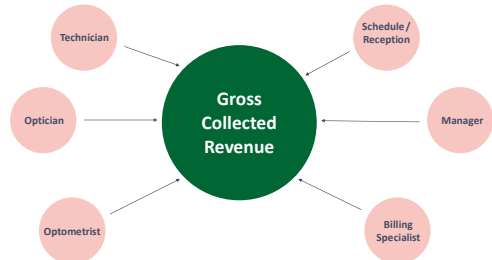
Learning Objectives

1. Understand the key drivers of gross collected revenue, and how to set goals around them.
2. Interpret the big three financial statements: the Balance Sheet, Profit & Loss Statement, and the Statement of Cash Flows.
3. Take home key metrics for evaluating a practice's overhead, profitability, and cash needs.

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Revenue is a **number** that shows **how many patients** we've cared for and **how much care** we've given them.

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The Income Statement – Part I

“I just don’t feel like I’m making any money.”

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Income Statement (Profit and Loss, P&L)

- Shows the revenues and expenses of the practice
- Needs to reflect the operations of the business – only
- Does NOT show Capital Expenditures (equipment and fixtures), only cost of borrowing money (interest)

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Collected Gross Revenues	Collected Gross Revenues
<u>Cost of Goods</u>	<u>Cost of Goods</u>
Gross Profit	Gross Profit
Non-OD Staff	Non-OD Staff
Occupancy Costs	Occupancy Costs
Equipment Costs	Equipment Costs
Marketing Expense	Marketing Expense
General Office Overhead	General Office Overhead
<u>Practice Net</u>	<u>Practice Net</u>
Officer Compensation	Officer Compensation
<u>Associate Compensation</u>	<u>Associate Compensation</u>
Operating Income	Operating Income
Interest, Taxes, Depreciation & Amortization	Interest, Taxes, Depreciation & Amortization
<u>Other Income & Expenses</u>	<u>Other Income & Expenses</u>
Net Income	Net Income

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Profit and Loss % of Total Income		
January 1 - December 31, 2023		
	100%	% OF INCOME
Income	\$3,986,714.83	100.00 %
+ Cost of Goods Sold	\$759,281.87	25.42 %
GRAND PROFIT	\$3,227,432.96	74.58 %
+ Expenses		
+ 6010 Non-OD Staff Compensation	706,459.83	25.45 %
+ 6020 Associate Compensation	265,347.43	8.88 %
+ 6030 Doctor Compensation	148,232.76	5.82 %
+ 6100 Outpatient Care	132,462.69	4.82 %
+ 6200 Marketing	26,912.69	0.96 %
+ 6300 Equipment Costs	25,345.95	0.83 %
+ 6400 General Office Overhead	217,622.06	8.63 %
Total Expenses	\$1,635,795.36	54.27 %
NET OPERATING INCOME	\$601,637.60	20.21 %
+ Other Income	\$2,919.25	0.10 %
+ Other Expenses	\$99,214.69	3.99 %
NET OTHER INCOME	\$ 46,319.46	2.89 %
NET INCOME	\$517,316.46	17.22 %

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Next-Level Financials

- Getting the Chart of Accounts right is the first step. Only include as much detail as you need
- All revenues and expenses MUST be reconciled against actual statements from banks, credit cards, and lenders
- Entering revenue from your EHR is dangerous!

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Next-Level Financials

- Group Salaries, Payroll Taxes and Benefits together, then separate between:
- Officers – the owner(s)
 - Doctors – any associate ODs
 - Staff – all other, non-OD, staff

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Next-Level Financials

- Incentive money should not be counted with revenue from seeing patients. Neither should outside income (fill-in work).
- Sales Tax counts against Revenue
- Principle payments are shown on the Balance Sheet and Cash Flow Statements
- Vendor rebates should count against Cost of Goods

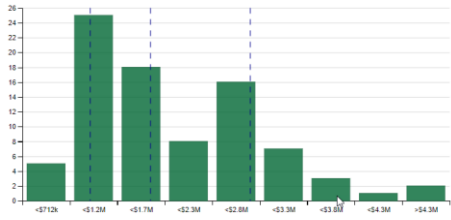
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The Income Statement – Part II

“I feel like I’m spending too much on _____.”

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The Income Statement – Part II

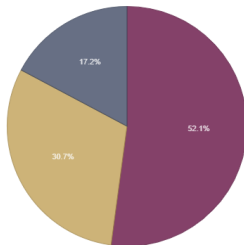


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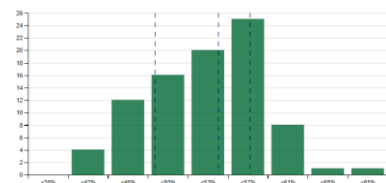
- Cost of Sales
- Practice Net
- Total Fixed Overhead



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7 Key Expense Areas

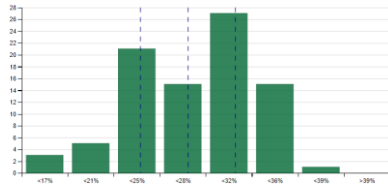
TOTAL COST OF SALES (COGS & NON O.D. STAFF) - INDEX



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7 Key Expense Areas

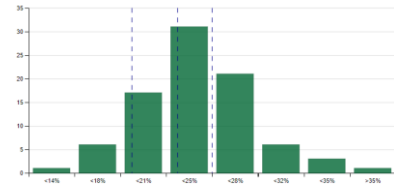
COSTS OF GOODS SOLD - INDEX



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7 Key Expense Areas

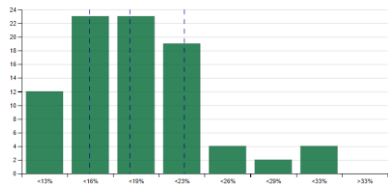
NON O.D. STAFF - INDEX



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7 Key Expense Areas

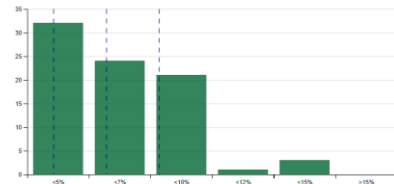
FIXED OVERHEAD - INDEX



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7 Key Expense Areas

OCCUPANCY COST - INDEX



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7 Key Expense Areas

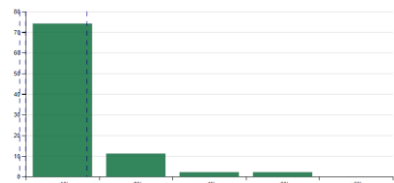
MARKETING COST - INDEX



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7 Key Expense Areas

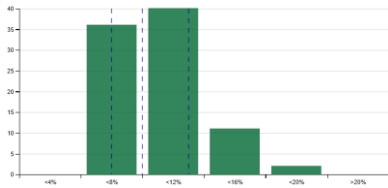
EQUIPMENT COST - INDEX



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7 Key Expense Areas

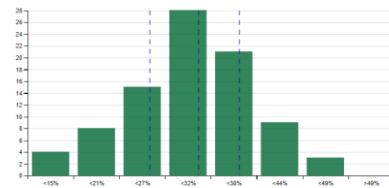
GENERAL & ADMIN- INDEX



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7 Key Expense Areas

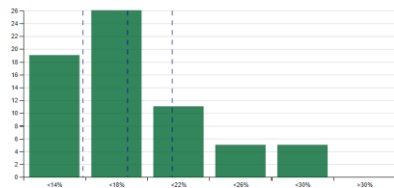
PRACTICE NET - INDEX



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7 Key Expense Areas

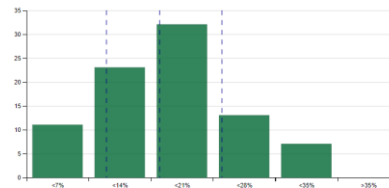
DOCTOR COMPENSATION- INDEX



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7 Key Expense Areas

EBIDTA - INDEX



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The Balance Sheet



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Balance Sheet

As of December 31, 2021

	TOTAL
ASSETS	
Current Assets	
Bank Accounts	\$20,698.52
Other Current Assets	\$84,762.98
Total Current Assets	\$405,664.50
Fixed Assets	\$209,294.45
TOTAL ASSETS	\$615,949.15
LIABILITIES AND EQUITY	
Liabilities	
Current Liabilities	\$29,099.43
Long Term Liabilities	\$185,312.61
Total Liabilities	\$214,412.04
Equity	
2020 Opening Balance Equity	0.00
2100 Owner's Equity	\$24,206.35
2020 Capital Stock	100.00
2020 Retained Earnings	422,461.07
Net Income	\$33,212.27
Total Equity	\$299,537.11
TOTAL LIABILITIES AND EQUITY	\$615,949.15

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What I look at on the balance sheet

Balance Sheet
As of December 31, 2021

	TOTAL
ASSETS	
Current Assets	
Cash Accounts	\$100,000.00
Other Current Assets	\$40,000.00
Total Current Assets	\$140,000.00
Fixed Assets	\$100,000.00
TOTAL ASSETS	\$240,000.00
LIABILITIES AND EQUITY	
Liabilities	\$100,000.00
Current Liabilities	\$100,000.00
Long Term Liabilities	\$0.00
Total Liabilities	\$100,000.00
Equity	\$140,000.00
2021 Opening Balance Equity	\$0.00
2021 Owner's Equity	\$140,000.00
2021 Capital Stock	\$0.00
2021 Retained Earnings	\$140,000.00
Net Assets - 12 Months	\$140,000.00
Total Equity	\$140,000.00
TOTAL LIABILITIES AND EQUITY	\$240,000.00

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Next-Level Financials

- Balance Sheets need to include all practice checking accounts
- All loan accounts too
- Liabilities should not be negative
- Negative equity merits a discussion with your CPA
- Discuss basis with CPA when taking distributions

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The Balance Sheet

“How much cash should I have on hand?”

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Cash Reserves

Method One: 1 month's expected expenses
(Prior Year Collected Revenues – Owner's Income) ÷ 12

- Example:
- \$1.6MM Practice
 - \$400K Owner Income (Salary & Distributions)
 - \$1.6MM - \$400K = \$1.2MM
 - \$1.2MM ÷ 12 = \$100,000

TIP: Use your cash reserve target to determine WHEN to take a bonus and HOW MUCH to take, after you:

- Set aside money for taxes
- Make loan payments

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Cash Reserves

Method Two: 2 month's expenses, not including COGS
(Prior Year Operating Expenses) ÷ 12

- Example:
- \$1.6MM Revenue
 - \$400K COGS
 - \$240K EBITDA
 - \$1.6MM - \$400K COGS - \$240K EBITDA = \$960K Expenses
 - \$960K ÷ 12 months = \$80,000
 - 2 months expenses = \$160,000

TIP: Use your cash reserve target to determine WHEN to take a bonus and HOW MUCH to take, after you:

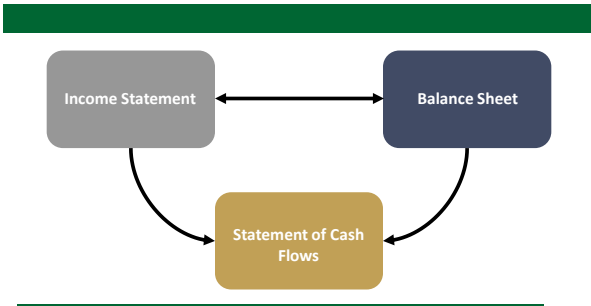
- Set aside money for taxes
- Make loan payments

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Statement of Cash Flows

“My Income Statement shows plenty of profit, so why is it always hard to pay the bills?”

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Statement of Cash Flows

Operating Activities	Depreciation & Amortization	
	Accounts Receivable	
<hr/>		
Net Cash Provided by Operating Activities		
Investing Activities	Asset Purchases	
	Asset Sales	
	Moneys from mergers or acquisitions	
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Net Cash Provided by Investing Activities		
Financing Activities	Loan Income	
	Principal Payments	
	Shareholder Distributions	
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Net Cash Provided by Financing Activities		
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Cash Increase for Period		
	Cash at beginning of period	
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Cash at end of Period		

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Statement of Cash Flows

Operating Activities	Depreciation & Amortization	
	Accounts Receivable	
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Statement of Cash Flows

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Statement of Cash Flows

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Statement of Cash Flows

Operating Activities	Depreciation & Amortization	
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Cash Increase for Period		
	Cash at beginning of period	
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Cash at end of Period		

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Statement of Cash Flows

Operating Activities	
Depreciation & Amortization	
Accounts Receivable	
Net Cash Provided by Operating Activities	
Investing Activities	
Asset Purchases	
Asset Sales	
Moneys from mergers or acquisitions	
Net Cash Provided by Investing Activities	
Financing Activities	
Loan Income	
Principal Payments	
Shareholder Distributions	
Net Cash Provided by Financing Activities	
Cash Increase for Period	
Cash at beginning of period	
Cash at End of Period	

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Statement of Cash Flows

Statement of Cash Flows	
January - December 2021	
	TOTAL
• OPERATING ACTIVITIES	\$160,350.03
• INVESTING ACTIVITIES	\$ -3,800.00
• FINANCING ACTIVITIES	\$ -141,244.12
NET CASH INCREASE FOR PERIOD	\$15,305.91
Cash at beginning of period	63,834.87
CASH AT END OF PERIOD	\$79,140.58

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Concluding Thoughts

- Make sure your financial statements work for you, not just your accountant or the IRS.
- Keep it simple! You should be able to easily assess your performance and status.
- Understanding your financials can relieve some of the biggest stressors of ownership, because you'll know:
 - *HOW you're doing, and*
 - *WHAT to do to improve and grow.*

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