

**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.



1



## Revenue, Profit, and Cash Flow:

Using Financial Statements to Understand Your Business

Nathan Hayes  
Director of Financial Services, IDOC



2



### Disclosure

**Nathan Hayes is a full-time employee of IDOC and the director of Books & Benchmarks.**

**All relevant relationships have been mitigated.**

3

### 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



4

## LEARNING OBJECTIVES

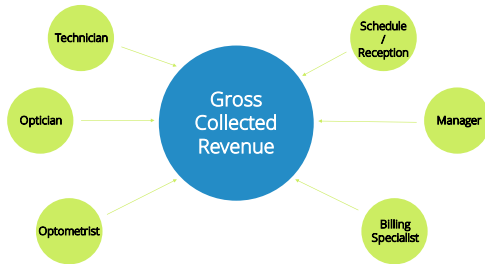
1. Understand the key drivers of gross collected revenue, and how to set goals around them.
2. Interpret the big three financial statements: the Balance Sheet, Profit & Loss Statement, and the Statement of Cash Flows.
3. Take home key metrics for evaluating a practice's overhead, profitability, and cash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



5

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

6



7

## The Income Statement – Part I

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

8

## 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)

9

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

Collected Gross Revenues
Cost of Goods
Non-OD Staff
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General Office Overhead
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Officer Compensation
Associate Compensation
Operating Income
Interest, Taxes, Depreciation & Amortization
Other Income & Expenses
Net Income

10

Profit and Loss % of Total Income  
January 1 - December 31, 2021

	TOTAL	
	JAN 1 - DEC 31, 2021	% OF INCOME
+ Income	\$2,956,714.83	100.00 %
+ Cost of Goods Sold	\$759,281.57	25.62 %
GROSS PROFIT	\$2,227,433.26	74.38 %
+ Expenses		
+ 6070 Non-OD Staff Compensation	706,459.93	23.65 %
+ 6020 Associate Compensation	265,347.43	8.88 %
+ 6030 Owner Compensation	149,838.70	5.02 %
+ 4100 Occupancy Cost	132,442.69	4.43 %
+ 6200 Marketing	26,912.60	0.90 %
+ 6300 Equipment Costs	25,365.95	0.85 %
+ 6400 General Office Overhead	317,428.56	10.63 %
Total Expenses	\$1,623,795.36	54.37 %
NET OPERATING INCOME	\$603,637.90	20.21 %
+ Other Income	\$2,905.25	0.10 %
+ Other Expenses	\$99,224.69	3.99 %
NET OTHER INCOME	\$ 86,316.44	2.89 %
NET INCOME	\$517,318.46	17.32 %

11

## 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!

12

## 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

13

## 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

14

## Next-Level Financials

Profit and Loss % of Total Income  
January 1 - December 31, 2021

	2021	%
Revenue	\$324,716.82	100.00 %
+ Cost of Goods Sold	\$345,432.93	103.13 %
OPERATING REVENUE	\$992,249.89	43.89 %
+ Expenses		
+ 4010 Non-OD Staff	191,728.68	21.25 %
+ 4020 Revenue Compensation	16,150.68	1.81 %
+ 4030 Owner Compensation	44,289.24	5.00 %
+ 4100 Occupancy Costs	39,226.45	4.40 %
+ 4200 Marketing	3,222.76	0.36 %
+ 4300 Equipment Costs	16,992.09	1.87 %
+ 4400 General Office Overhead	60,236.42	6.72 %
Total Expenses	\$449,855.38	51.02 %
NET OPERATING INCOME	\$117,424.81	14.85 %
+ Other Income	\$6,906.83	0.88 %
+ Other Expenses	\$21,716.82	2.68 %
NET OF ALL INCOME	\$102,614.81	12.81 %
NET INCOME	\$162,266.62	20.08 %

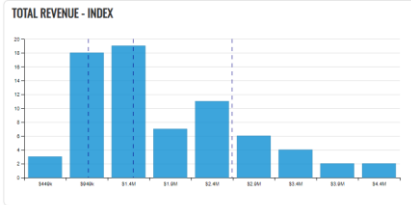
15

## The Income Statement – Part II

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

16

## The Income Statement – Part II

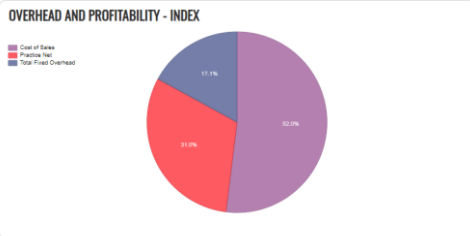


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17



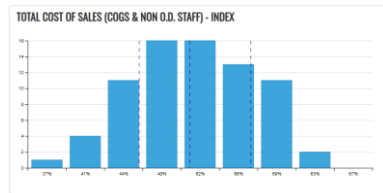
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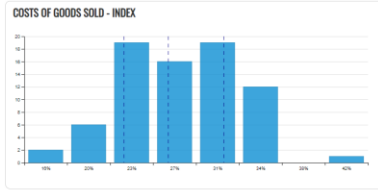
## 7 Key Expense Areas



Data is based on trailing 12 month totals.

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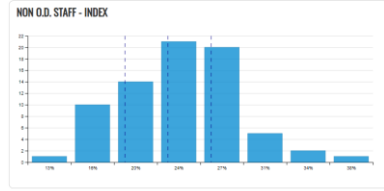
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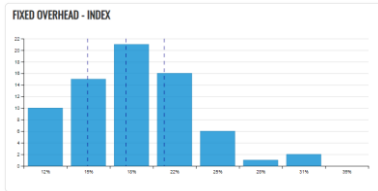
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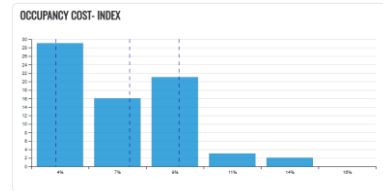
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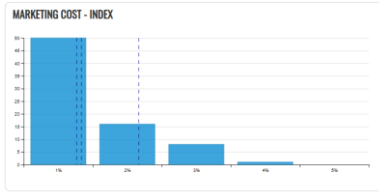
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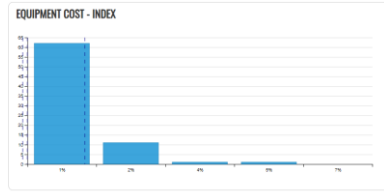
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### 7 Key Expense Areas



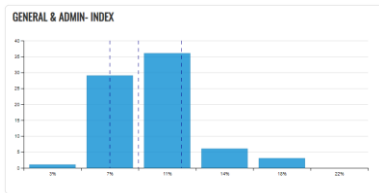
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### 7 Key Expense Areas



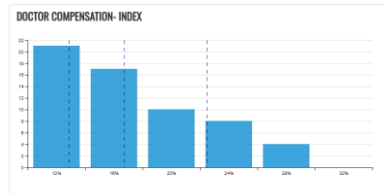
26

### 7 Key Expense Areas



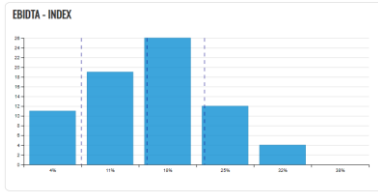
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### 7 Key Expense Areas



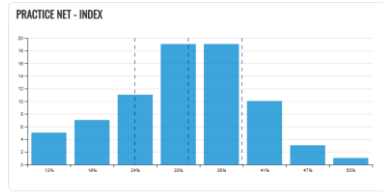
28

## 7 Key Expense Areas



29

## 7 Key Expense Areas



30

## The Balance Sheet



31

Balance Sheet  
As of December 31, 2021

	TOTAL
<b>ASSETS</b>	
Current Assets	
Bank Accounts	\$30,896.52
Other Current Assets	\$84,785.95
<b>Total Current Assets</b>	<b>\$115,682.47</b>
Fixed Assets	\$108,284.65
<b>TOTAL ASSETS</b>	<b>\$223,967.12</b>
<b>LIABILITIES AND EQUITY</b>	
Liabilities	
Current Liabilities	\$23,296.45
Long Term Liabilities	\$195,312.61
<b>Total Liabilities</b>	<b>\$218,609.06</b>
Equity	0.00
2020 Opening Balance Equity	\$34,298.25
2020 Owner's Equity	100.00
2020 Capital Stock	400,461.87
2020 Retained Earnings	533,212.37
Net Income	\$396,537.11
<b>Total Equity</b>	<b>\$396,537.11</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$223,967.12</b>

32



## What I look at on the balance sheet

Balance Sheet  
As of December 31, 2021

	TOTAL
<b>ASSETS</b>	
Current Assets	
Cash Accounts	\$100,000.00
Other Current Assets	\$54,700.00
Total Current Assets	\$154,700.00
Fixed Assets	\$100,000.00
<b>TOTAL ASSETS</b>	<b>\$254,700.00</b>
<b>LIABILITIES AND EQUITY</b>	
Liabilities	
Current Liabilities	\$20,000.00
Long-Term Liabilities	\$100,000.00
<b>Total Liabilities</b>	<b>\$120,000.00</b>
Equity	
2020 Opening Retained Equity	\$100
2020 Owner's Equity	404,000.00
2020 Capital Stock	100.00
2020 Retained Earnings	400,000.00
Net Income	\$20,000.00
<b>Total Equity</b>	<b>\$134,700.00</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$254,700.00</b>

33

## 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

34

## The Balance Sheet

“How much cash should I have on hand?”

35

## 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

36

## 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:

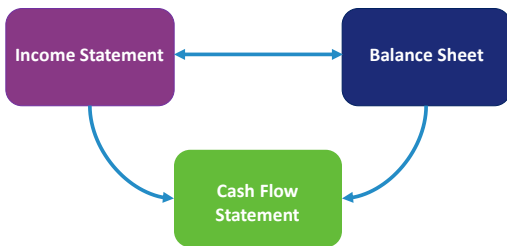
- Set aside money for taxes
- Make loan payments

37

## Statement of Cash Flows

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

38



39

## Statement of Cash Flows

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

40

## Statement of Cash Flows

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

41

## Statement of Cash Flows

<b>Operating Activities</b>
Depreciation & Amortization
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Principal Payments
Shareholder Disbursements
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<b>Cash Increase for Period</b>
Cash at beginning of period
Cash at End of Period

42

## Statement of Cash Flows

<b>Operating Activities</b>
Depreciation & Amortization
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<b>Cash Increase for Period</b>
Cash at beginning of period
Cash at End of Period

43

## Cash Flow Statement

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

44

## Statement of Cash Flows

Statement of Cash Flows January - December 2021		TOTAL
• OPERATING ACTIVITIES		\$140,350.03
• INVESTING ACTIVITIES		\$ -3,899.00
• FINANCING ACTIVITIES		\$ -141,244.12
NET CASH INCREASE FOR PERIOD		\$15,206.91
Cash at beginning of period		63,834.67
CASH AT END OF PERIOD		\$79,140.58

45

## 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 one of the biggest stressors of ownership: *not knowing HOW you're doing or WHAT to do about it.*



46

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47