

Back 2 Basics Business Consulting Services Inc.



Deepak Singh - CEO

The Healthy Practice

Disclosure

Relationship with commercial interests - None

Disclosure of commercial support - None

Conflict of interest - None

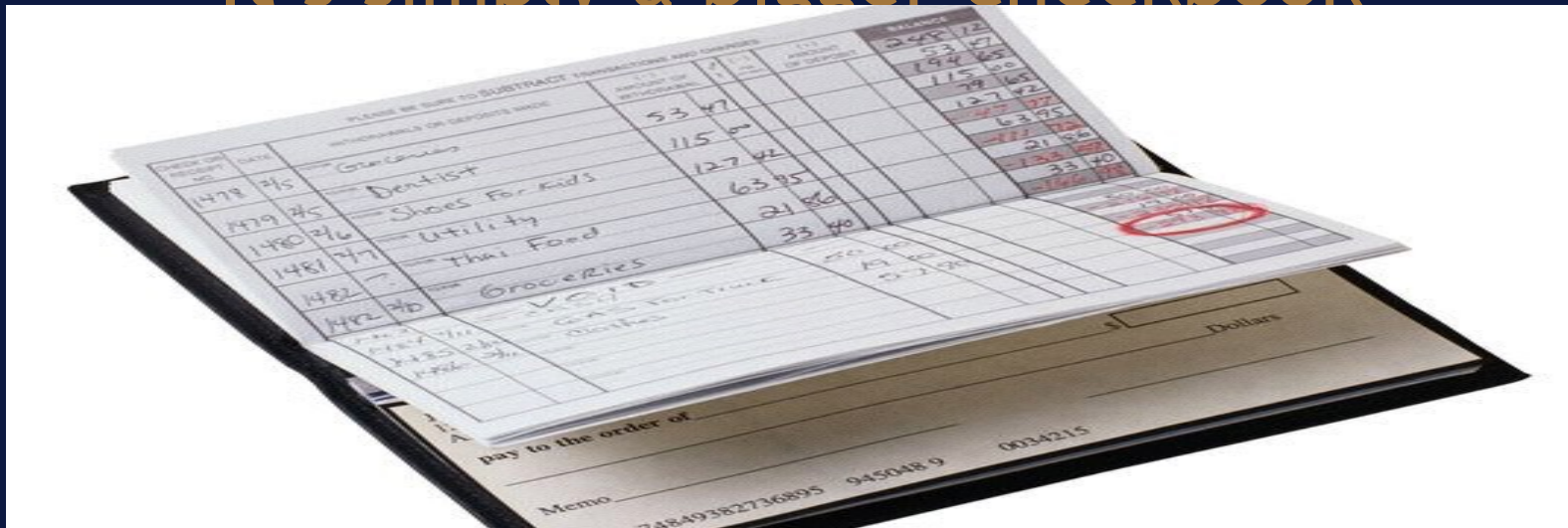
The Basics



Finance

If you can balance your checkbook at home,
you can manage the finances of your
business.

It's simply a bigger checkbook



Finance

1. Income Statement

- What the company made or lost (Profit & Loss)

2. Balance Sheet

- What the company is worth (Retained earning or Equity)

1. Cash Flow

- The total amount of money being transferred into and out of a business, especially as affecting liquidity.



Finance: Income Statement

$$\text{Revenue} - \text{COGS} - \text{Expenses} = \text{Net Income}$$

* COGS: Cost of Goods Sold

Stress-Buster Company Income Statement Month Ended September 30, 20×1

Sales (100 × \$10)		\$1,000
Less Cost of goods sold (100 × \$6)		<u>600</u>
Gross profit (100 × \$4)		400
Less Operating expenses		
Salaries	240	
Advertising	40	
Table rental	<u>20</u>	
	300	
Net income (profit)		<u><u>\$100</u></u>

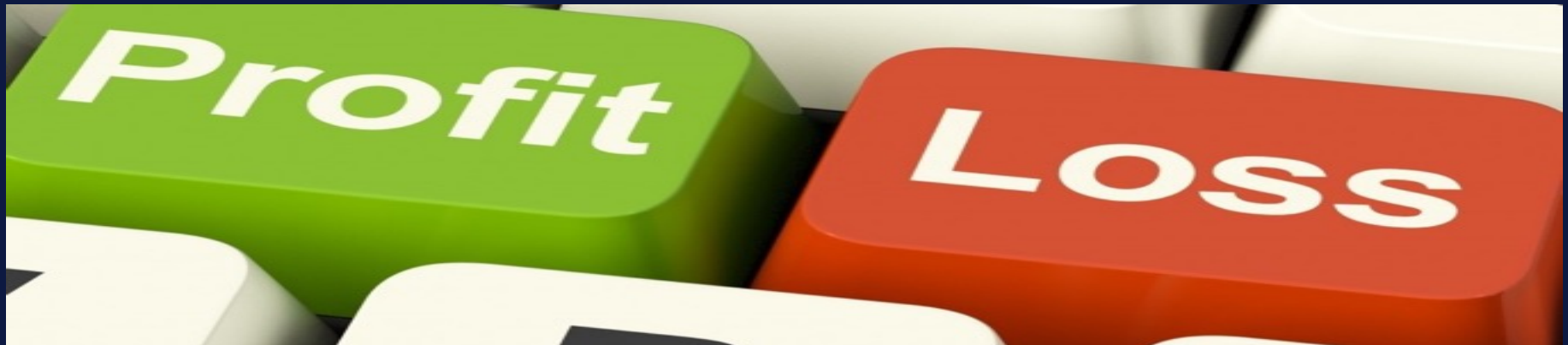
Finance: Income Statement

Income

- Consultation
- Nutraceutical
- Therapy
- Honorarium

Expenses

- Payroll/Employee Benefits
- Rent
- Vendors
- Office Expenses



Finance: Income Statement

Income

- Identify Sources
- Expand Sources
- Maintain Sources

REPORT ALL YOUR INCOME



Finance: Income Statement

Income

- Know your daily revenue.
- What type of payments did you get. (cash, credit, check)
- Reconcile your accounts everyday.
- Banks make mistakes.
- Control who has access to the business accounts.
- You should sign all checks



Finance: Income Statement

Cost of Goods Sold (COGS)

- Medical Supplies
- IV supplies
- Cost of Nutraceuticals



Finance: Income Statement

Expenses

- Payroll/Employee Benefits
- Vendors
- Rent
- Office Expenses



Case Study: XYZ Medical Center

- Income Statement from 2012, 2013 and 2016
- Balance Sheet from 2012, 2013 and 2016

	Jan - Dec 2012	Jan - Dec 2013	Jan - Dec 2016
Income			
Commission Income		289.86	600.00
Consultation Income	380,184.76	418,084.01	431,302.83
Consultation Income - Phone	98,563.16	120,735.26	159,402.50
HBOT Rental			6,000.00
Honorarium	20,600.00	5,500.00	18,917.80
IV Therapy Income	48,561.27	76,792.25	48,170.00
Laboratory Test Income	95,337.89	83,206.79	48,404.71
Medical Necessity Letter Income	35.00		
Medical Records Income	20.00	100.00	169.00
Nutraceutical Income	6,171.63	2,115.34	45,736.81
Other Income	797.00	15,047.53	700.00
Book Sales	15.00		
No Show/Cancellation Fee			725.00
Total Other Income	812.00	15,047.53	1,425.00
Refunds-Allowances	535.38		
Sales of Product Income	1,270,554.13	1,217,013.32	991,409.56
Shipping Income	207.04		7.00
Therapy Income	57,853.75	58,791.30	16,568.63
Unapplied Cash Payment Income	0.00	-2,171.67	-1,947.51
Total Income	1,979,436.01	1,995,503.99	1,766,166.33
Cost of Goods Sold			
Books Cost of Goods Sold	500.00		
Cost of Goods Sold	1,856.98	-5,074.56	
Inventory Adjustment	80,442.31	-15,731.02	
Lab Tests Cost of Goods Sold	47,835.33	64,557.76	32,399.94
Medical Supplies Cost of Goods Sold	2,503.53	2,485.29	2,542.65
Nutra COGS	424,543.96	421,147.62	324,596.79
Pharmacy Compounding Chemicals - Cost of Goods Sold	97,324.25	77,957.64	80,051.58
Pharmacy Legend Drugs - Cost of Goods Sold	5,032.78	30,674.42	16,419.16
Pharmacy Supplies & Materials - Cost of Goods Sold	6,260.93	9,269.26	7,040.04
Shipping Expense COGS	39,158.33	63,689.20	48,221.68
Therapy Cost of Goods Sold	929.00	2,143.47	4,024.68
Total Cost of Goods Sold	706,387.40	651,119.08	515,296.52
Gross Profit	1,273,048.61	1,344,384.91	1,250,869.81

Increase fees and
increase number of
patients

Negotiate Pricing

Finance: Income Statement

Expenses : Vendors

- Negotiate wholesale pricing every year
- Manage your inventory tightly
- Have net 30/60 day plans with all vendors



Expenses			
Accounting Fees		7,365.83	2,150.00
Advertising	4,552.51	3,433.15	1,596.38
Advertising COMPOUNDING	2,804.24	1,232.73	8,533.87
Automobile Expense			1,328.00
Bank Charges	71.50	16,510.58	156.60
Charitable Contributions	2,750.00	1,760.90	
Credit Card Service Charges	63,765.80	19,473.71	60,063.01
Depreciation	9,092.00	14,201.00	
Disposal Fees	839.32		2,682.24
Dues, Subscriptions, & Books	2,125.12	2,245.00	859.04
Equipment Rental		2,865.70	
Gifts and Promotion	3,523.38		
Insurance	256.55	280.88	2,623.23
Insurance - Group Health	53,807.06	28,296.07	29,349.82
Insurance - Malpractice	41,289.86	34,972.47	21,673.00
Insurance - Malpractice COMPOUNDING	287.82	1,844.87	2,782.94
Insurance Claim Processing COMPOUNDING	380.76	432.04	1,845.12
Insurance-Workers Compensation	2,112.08		
Interest Expense	17,460.50	11,734.75	4,377.67
Internet Expense	1,094.32	892.08	3,371.84
Internet Hosting Expense COMPOUNDING			1,847.67
Legal & Professional Fees	22,639.59	32,707.37	31,529.85
Legal & Professional Fees COMPOUNDING	2,193.00	16,258.93	159.00
License Expense	7,395.71	1,206.57	941.50
License Fees COMPOUNDING	732.00	2,311.10	2,501.56
Meals & Entertainment COMPOUNDING	144.46	779.84	2,184.35
Meals and Entertainment	2,469.05	9,512.65	7,809.29
Medical IV Supplies	7,198.86	6,104.07	6,760.63
Medical Supplies	3,639.99	835.02	1,899.05
Meetings	109.53		20.00
Meetings/Events			36,007.74
Misc Expense	2,938.27	2,000.00	84.33
Moving Expense			

Reduce Employees
or reduce pay hours
Reduce benefits
costs

Find the most cost
effective Insurance
Company

Reduce Debt
Pay less fee/
interest

Back to Basics Business Consulting Services Inc.

Everyone is replaceable except
YOU!

Finance: Income Statement

Expenses : Payroll/Employee Benefits

- Major reason practices struggle is that their payroll expenses are more than 1/3 of their gross income.
- It is important to make sure you get the most out of your staff.



Finance: Income Statement

Expenses : Payroll/Employee Benefits

- How many employees to do you need
- Identify their role
- What are their duties
- How long does it take to do their job
- Are they working overtime. If so why?
- Are they a positive influence for business?
- Do you trust them?



Finance: Income Statement

Expenses : Rent

- Rent expense should be maintained between 5% to 10% of gross income
- Research RE market and then Negotiate
- Remember landlord would rather have a full suite then an empty one



Finance: Income Statement

Expenses : Office Expense

- Travel
- Office Supplies
- Meals
- Insurance
- Professional Fees (Legal)



	Jan - Dec 2012	Jan - Dec 2013	Jan - Dec 2016
Office Expenses	25,252.35	29,285.58	62,042.63
Office Expenses COMPOUNDING	6,550.82	-30,480.25	4,516.65
Office Supplies	11,596.72	11,048.05	4,201.63
Office Supplies COMPOUNDING	5,416.22	646.25	3,794.90
Outside Services	1,078.03	75,471.41	
Outside Services COMPOUNDING	73.99		
Payroll Service Fees	1,548.62	1,612.11	2,712.61
Postage - Shipping	6,298.02	791.56	3,584.90
Professional Education	6,250.79	736.04	2,540.00
Professional Education COMPOUNDING	138.00	199.96	922.20
Profit Sharing Contribution	42,863.38	1,449.53	
Promotional COMPOUNDING		673.23	279.77
Purchases		2,565.51	
Rent or Lease	129,886.17	69,207.89	72,117.20
Repair & Maintenance	600.00		3,178.70
Rx Product Testing		490.00	9,445.00
Salaries & Wages	855,986.49	586,389.96	655,723.12
Sales Tax	8,005.49	10,087.22	6,430.12
Service Fee	168.09	26,421.97	
Service Fee COMPOUNDING		1,393.77	1,900.00
Software Support/Backup-Compounding		335.94	6,818.63
Taxes & Licenses	898.58	5,809.17	100.00
Taxes on Payroll	76,986.91	63,289.26	54,900.79
Total Taxes on Payroll	81,643.18	63,289.26	54,900.79
Telephone	1,606.23	6,736.51	15,486.75
Travel	3,243.12	31,582.00	57,405.12
Travel Meals	2.58	185.45	
Travel COMPOUNDING		367.75	1,122.99
Unapplied Cash Bill Payment Expense		0.00	0.00
Utilities	5,269.92	11,479.76	10,842.46
Total Expenses	1,450,050.07	1,127,032.94	1,215,203.90
Net Operating Income	-177,001.46	217,351.97	35,665.91
Other Income			
Interest Earned	6.62	1.37	0.12
Total Other Income	6.62	1.37	0.12
Other Expenses			
Total Physician Expenses	0.00	0.00	0.00
Total Other Expenses	0.00	0.00	0.00
Net Other Income	6.62	1.37	0.12
Net Income	-176,994.84	217,353.34	35,666.03

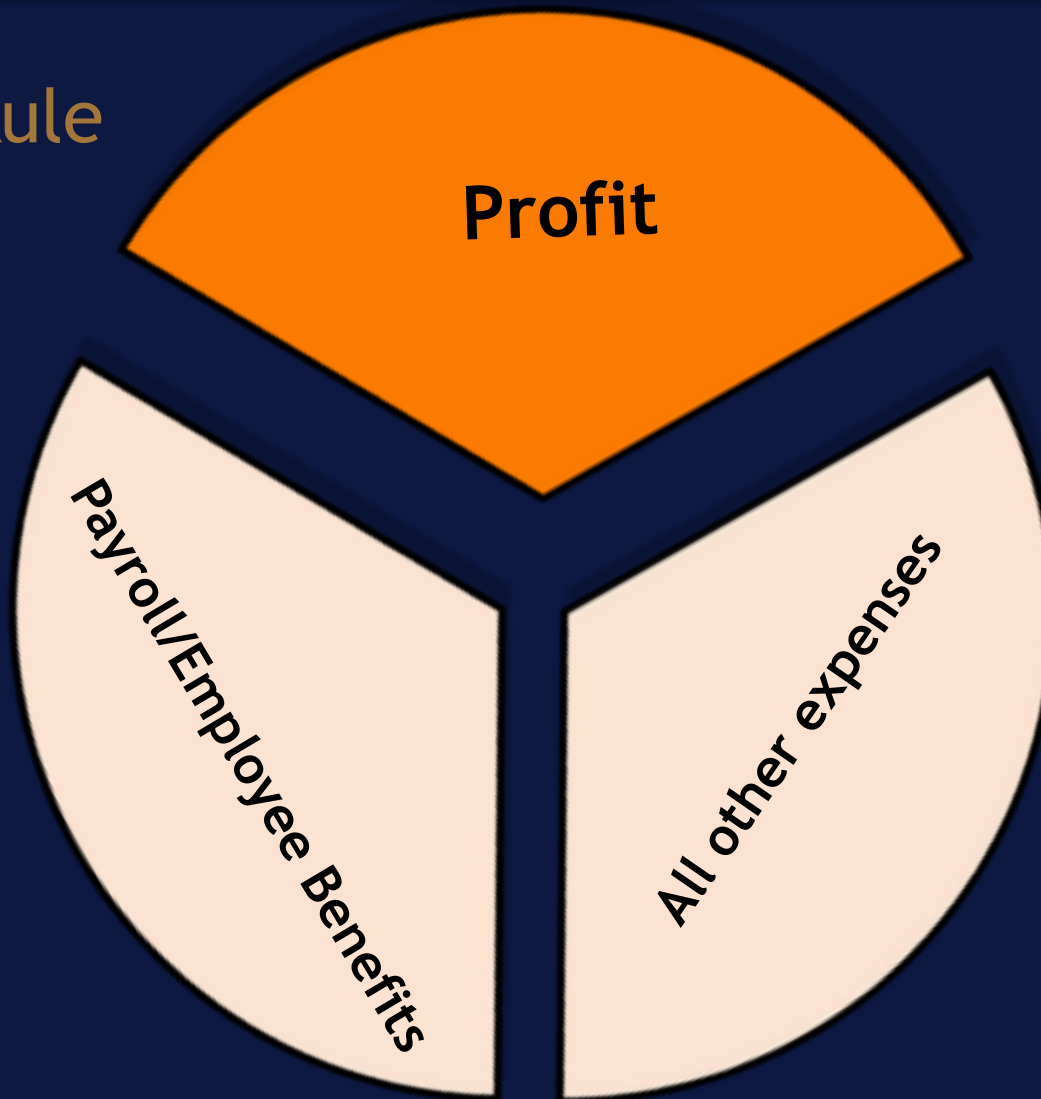
Renegotiate Lease

Reduce Staff or
cut pay hours, No overtime

Reduce Staff

Finance

The 1/3 Rule



Finance: Balance Sheet

Asset = Liability + Owners



Retain Earnings: What the company is worth

Finance: Balance Sheet

Assets

- Cash in Bank
- Accounts Receivable
- Inventory
- Medical Equipment
- Computer Equipment
- Office Furniture & Equipment



Balance Sheet

	Jan - Dec 2012	Jan - Dec 2013	Jan - Dec 2016
ASSETS			
Current Assets			
Bank Accounts			
Officer Loan	-230,156.26	-70,194.78	-249,341.94
Total Bank Accounts	-168,419.59	-12,096.58	-237,009.86
Accounts Receivable			
Accounts Receivable	210.21	210.21	177.40
Total Accounts Receivable	210.21	210.21	177.40
Other Current Assets			
Advances to Employees	0.00	0.00	0.00
Complete Payroll Payment	0.00	0.00	0.00
Due from Affiliates	0.00	0.00	0.00
Inventory	37,043.48	52,774.50	27,311.70
Uncategorized Asset	0.00	0.00	0.00
Undeposited Funds	0.00	0.00	0.00
Total Other Current Assets	37,043.48	52,774.50	27,311.70
Total Current Assets	-131,165.90	40,888.13	-209,520.76
Fixed Assets			
Accumulated Depreciation	-151,448.00	-165,649.00	-192,199.00
Car	0.00	0.00	28,000.00
Computer Equipment	38,993.20	45,703.90	55,532.90
Leasehold Improvements	54,976.86	54,976.86	54,976.86
Medical Equipment	48,926.82	48,926.82	52,061.20
Office Furniture & Equipment	33,144.16	33,144.16	33,144.16
Pharmacy Equipment COMPOUNDING	5,683.31	5,683.31	5,944.04
Total Fixed Assets	30,276.35	22,786.05	37,460.16
Other Assets			
Accumulated Amortization	-1,000.00	-1,000.00	-1,000.00
Loans to Officers	0.00	0.00	0.00
Organization Costs	1,000.00	1,000.00	1,000.00
Total Other Assets	0.00	0.00	0.00
TOTAL ASSETS	-100,889.55	63,674.18	-172,060.60

Reduce Inventory

Finance: Balance Sheet

Liabilities

- Accounts Payable
- Current Liabilities
 - Credit Card Debt
- Long-Term Liabilities
 - Loans



LIABILITIES AND EQUITY

Liabilities

Current Liabilities

Accounts Payable	0.00	0.00	0.00
Accounts Payable	0.00	0.00	0.00
Total Accounts Payable	0.00	0.00	0.00

Credit Cards

AMEX Gold biz (deleted)	1,800.00	-176.96	0.00
AMEX Platinum	45,323.76	37,245.31	0.00
Chase 0993 Business VISA (deleted)	44,766.92	38,121.97	0.00
Chase AMAZON Visa Biz (deleted)	23,436.39	20,755.35	0.00
Chase OFFICE DEPOT biz Visa (deleted)	10,927.59	7,276.27	0.00
Chase United Business Club - PURE		0.00	7,860.97
Chase UNITED Mileage Plus Visa biz (deleted)	21,924.92	7,128.16	0.00
DISCOVER PUREC Sam's Club (deleted)	3,000.00	3,800.00	0.00
DISCOVER THMC Sam's Club (deleted)	26,002.76	12,171.26	0.00

Total Credit Cards	177,182.34	126,321.36	7,860.97
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Other Current Liabilities

Accrued 401k Contribution	0.00	0.00	0.00
Accrued Payroll Taxes	0.00	0.00	0.00
Accrued Wage Garnishments	0.00	0.00	0.00
ADVANCE	0.00	0.00	0.00
Payroll Clearing	0.00	0.00	0.00
Sales Tax Agency Payable	0.00	-989.26	0.00
Sales tax payable	2,232.03	1,292.66	0.00

Total Other Current Liabilities	2,232.03	303.40	0.00
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Total Current Liabilities	179,414.37	126,624.76	7,860.97
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Long-Term Liabilities

Car - Notes Payable	0.00	0.00	12,000.00
Charity Fund	25.00	25.00	0.00
Notes Payable - J.	179,147.16	179,147.16	0.00
Notes Payable - S.	0.00	0.00	25,663.17

Total Long-Term Liabilities	179,172.16	179,172.16	37,663.17
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Total Liabilities	358,586.53	305,796.92	45,524.14
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Equity

Common Stock	1,000.00	1,000.00	1,000.00
Opening Balance Equity	0.00	0.00	0.00
Retained Earnings	-288,137.51	-460,476.08	-254,250.77
Net Income	172,338.57	217,353.34	35,666.03

Total Equity	-459,476.08	-242,122.74	-217,584.74
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TOTAL LIABILITIES AND EQUITY

Reduce Credit Card Debt

Reduce Loans

Finance

Income Statement

Revenue

Revenue From All
Sources

COGS

Expenses

Operating Expenses

Net Income

Balance Sheet

Assets

Cash in Bank

Accounts Receivable

Inventory

Equipment

Liabilities & Owners Equity

Accounts Payable

Credit Card Debt

Loans

Owners Equity - Invested Capital

→ Owners Equity - Retained
Earnings

Finance: Cash Flow

Incomings and outgoings of cash,
representing
the operating activities of an organization.



Finance: Cash Flow

What Impacts Cash Flow?

- Revenue
- Payroll
 - 1/3 of revenue
- Accounts Receivable
 - Collect all fees from insurance and patients within 30 days
- Inventory
 - Net 30/60
- Debt
 - Minimize credit card and other debt(interest payments)



Summary

- 1) Be able to say “NO”
- 2) It’s OK to be the “Bad Guy”, you can’t please all the people all the time
- 3) Take 5 minutes, first thing in morning to reconcile accounts
- 4) Don’t be afraid to negotiate
- 5) Lead and not follow
- 6) Staff works for you, you don’t work for them

Back to Basics Business Consulting Services Inc.

Work Smarter Not Harder



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