

P R E S E N T I N G

Revealing the mystery behind **Financial Statements**

Business Insights for dental lab owners

darren lemke | *president*

patti glendinning | *vice president*

The Importance of Good Reporting



- Help Measure Our Success
- Identify Change in Our Business
 - Allow us to Make Informed Decisions
 - Give us Peace of Mind



Key Reports

- Balance Sheets
- Profit & Loss
- A/R & A/P
- Cash Flow Statements



What is a Balance Sheet?

- It Represents the Company's Financial Position at the End of a Specific Period
- Includes Assets, Liabilities and Owners Compensation
 - $\text{Assets} = \text{Liabilities} + \text{Owners Equity}$



What Your Balance Sheet Reveals

- Highlights the Financial Condition of the Company
- Reveals How Much Your Company **Owns** and What it **Owes**
- Tells the Financial Institutions a Lot About a Company's Fundamentals



Assets

- There are 2 types of Assets: Current and Non-Current
- Current Assets: Cash, Accounts Receivable, Inventories etc.
- Non-Current: Fixed Assets, Property, Equipment



Liabilities

- There are 2 types of Liabilities: Current and Non-Current
 - Current Liabilities: Obligations That Must Be Paid In a Year
 - Non-Current: Owed in a Year or More; Bank Debt



Accounts Receivable

- Accounts Receivable Amounts Owed to Your Company Thru Business Activity
- Aged Accounting: Current 0-30, 31 - 60, 61-90, 90+ Days
 - It is Important to Keep as Current as Possible



Accounts Receivable

- Collecting Receivables - timely statements, clear terms & make it easy to pay
- Merchant services - next day deposit into your bank
 - A/R Collection Protocols - handling problems with payment



Accounts Payable

- Accounts Payable is What is Owed to Vendors, Banks and Employees.
- Aged Accounting: Current, 30, 60, 90 Days
 - Paid Through Collection of Receivables
 - Cash in Cash Out Principle



Accounts Payable

- Paying Vendors by Statement or by Invoice
- Setting Accounts Payable Amounts
 - Late With Payment - Inform Your Vendor



Equity

- Represents Value of an Asset Less the Value of All Liabilities on That Asset.
- $\text{Equity} = \text{Assets} - \text{Liabilities}$
- Retained Earnings Percentage of net Earnings Not Paid Out as Dividends.
- $\text{Retained Earnings} = \text{Beginning RE} + \text{Net Income} - \text{Dividends}$



Budgets

- An Estimation of Revenue and Expenses Over a Specific Period of Time.
- Annual Budget For the 12 Month Fiscal Year
 - Allows For Planning For the Upcoming Year and to Make Adjustments for Cash Flow.
 - Project Future Cash Flows and Effectively Manage Money.



What Budgets Reveal

- What Revenue Best Supports Our Operation and Profitability.
- Labor, Cost of Goods Are Under Control.
- Overhead is in Check.
- If Our Production is Maximized.



How We Use Budgets

- Forecast 1-3-5 Years Out Using Realistic Growth Numbers
- Use as an Effective Management Tool.
- Compare Budgets to Monthly P&L's to See if You Are on Target.
- Helps to Find Your “Sweet Spot”.



Budget & P&L

- Budgets Are Forecasted P&L's
- Takes All Key Performance Indicators (KPI's) Into Account.
 - Identifies Potential Problem Areas
 - Gives Your A Roadmap to Your “Sweet Spot”



Profit and Loss Statement

- Summarizes the Revenues, Costs and Expenses Incurred During a Specific Period of Time.
- Provides Information About the Company's Ability or Lack of to Generate Profit.
- It is Referred to as a P&L, Income Statement, Income & Expense Statement.



Dental Lab's and P&L's

- Several Formats to Set Up.
- What Makes Sense For a Dental Lab.
 - What Does it Tell You.
 - What Do We Do With the Information.



How to Structure a P&L

- All Sources of Revenue at the Top.
- All Cost of Goods: Materials to Manufacture Products.
- Gross Profit.
- Overhead Expense.
- Net Income/Profit.



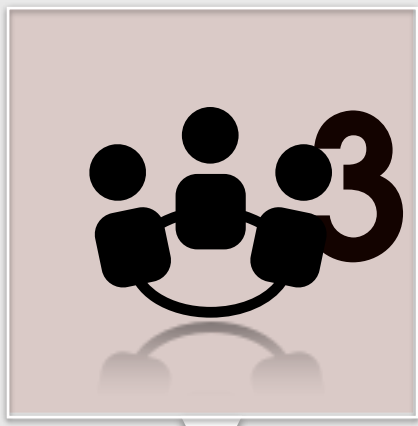
Chart of Accounts

- This is the backbone of your financial accounting system
- Organized into categories: Assets, Liabilities, Equity
- Tells the Financial Institutions a Lot About a Company's Fundamentals



What is a KPI?

- KPI: Key Performance Indicator
 - Business Metric Used to Evaluate Factors That Are Critical to Your Business Success.
 - Lab KPI's: Labor, Cost of Goods, Overhead and Gross Profit.



TREATMENT PLANNING

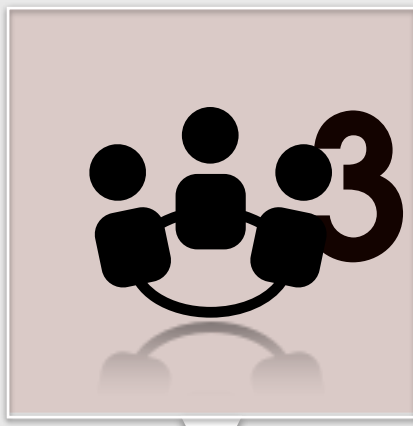


| INCOME | | |
|-----------------------|---------------------|---------------|
| SALES - DENTAL | \$ 2,224,347 | 78.6% |
| SALES - DENTURE | \$ 625,735 | 22.1% |
| SALES - RETURNS | \$ (12,035) | -0.4% |
| SALES - DISCOUNTS | \$ (8,670) | -0.3% |
| SUBTOTAL | \$ 2,829,376 | 100.0% |
| COST OF GOODS SOLD | | |
| CADENT EXPENSE | \$ 9,114 | 0.3% |
| OUTSOURCE | \$ 44,638 | 1.6% |
| NOBLECROWN GOLD | \$ 58,670 | 2.1% |
| CAPTEK MATERIAL | \$ 321 | 0.0% |
| CROWN & BRIDGE GOLD | \$ 43,774 | 1.5% |
| PFM GOLD | \$ 94,181 | 3.3% |
| EURO GOLD | \$ 14,417 | 0.5% |
| PORCELAIN MATERIAL | \$ 29,296 | 1.0% |
| IMPLANT SUPPLIES | \$ 195,467 | 6.9% |
| PROCERA SUPPLIES | \$ - | 0.0% |
| PURCHASES-MATERIAL | \$ 220,000 | 7.8% |
| CASTING MATERIAL | \$ 28,478 | 1.0% |
| DIRECT LABOUR | \$ 849,188 | 30.0% |
| TOTAL EXPENSES | \$ 1,587,545 | 56.1% |
| GROSS PROFIT | \$ 1,241,831 | 43.9% |
| EXPENSES | | |
| ADVERTISING | \$ 40,900 | 1.4% |
| AUTO INSURANCE | \$ 7,638 | 0.3% |

finding the
'sweet spot'

2.8 million lab

| | |
|---------------------|--------------|
| \$ 1,032,065 | 36.5% |
| \$ 209,766 | 7.4% |



TREATMENT PLANNING

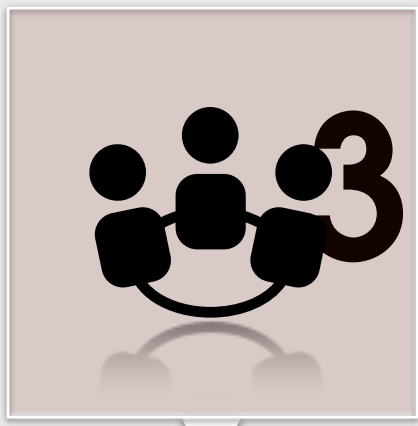


| INCOME | | |
|---------------------------|---------------------|---------------|
| SALES - DENTAL | \$ 2,365,883 | 79.2% |
| SALES - DENTURE | \$ 641,854 | 21.5% |
| SALES - RETURNS | \$ (11,355) | -0.4% |
| SALES - DISCOUNTS | \$ (9,003) | -0.3% |
| SUBTOTAL | \$ 2,987,378 | 100.0% |
| COST OF GOODS SOLD | | |
| CADENT EXPENSE | \$ 13,650 | 0.5% |
| OUTSOURCE | \$ 40,652 | 1.4% |
| NOBLECROWN GOLD | \$ 53,043 | 1.8% |
| CAPTEK MATERIAL | \$ - | 0.0% |
| CROWN & BRIDGE GOLD | \$ 45,787 | 1.5% |
| PFM GOLD | \$ 100,201 | 3.4% |
| EURO GOLD | \$ 17,342 | 0.6% |
| PORCELAIN MATERIAL | \$ 28,694 | 1.0% |
| IMPLANT SUPPLIES | \$ 154,183 | 5.2% |
| PROCERA SUPPLIES | \$ 1,369 | 0.0% |
| PURCHASES-MATERIAL | \$ 200,000 | 6.7% |
| CASTING MATERIAL | \$ 28,606 | 1.0% |
| DIRECT LABOUR | \$ 896,553 | 30.0% |
| TOTAL EXPENSES | \$ 1,580,080 | 52.9% |
| GROSS PROFIT | \$ 1,407,298 | 47.1% |
| EXPENSES | | |
| ADMIN FEES | \$ - | |
| ADVERTISING | \$ 48,819 | 1.6% |

finding the
'sweet spot'

2.9 million lab

| | |
|---------------------|--------------|
| \$ 1,037,935 | 34.7% |
| \$ 369,363 | 12.4% |



TREATMENT PLANNING



finding the
'sweet spot'

2.8 million lab

2.9 million lab

| | |
|--------------|-------|
| \$ 1,032,065 | 36.5% |
| \$ 209,766 | 7.4% |

| | |
|--------------|-------|
| \$ 1,037,935 | 34.7% |
| \$ 369,363 | 12.4% |



Rule of 100

- We Only Have 100% to Work With.
- How Much Net Profit Do You Want?
 - What Are The Vital Signs to Look For?



Rule of 100

Example:

Profit.....20%

Labor.....30%

Cost of Goods.....20%

Overhead.....30%



What If I Show No Profit?

- Costs Are Too High.
- Selling Price is Too Low VS Labor Rate.
- Uncontrolled Spending.
 - No Budget to Benchmark Against.



What Kills Profit?

- Not Watching Cost on Every Line.
- Profits Erode 0.25% At a Time.
 - Slow Bleeding Kills Profits.
 - Not Using Your Reporting You Have Available.



How To Stop The Bleeding?

- Use Your Budget to Benchmark Your P&L's Monthly.
- Identify Problem Areas Quickly: Be Proactive!
- Use Your Reports Daily, Weekly and Monthly.
 - Don't Resist Change.
 - Know your Break-even points



Guide to a Healthy P&L

- Make Sure Your Accountant or In-house Bookkeeper Knows the Importance of Keeping Everything Up to Date.
- Set Aside Time Daily, Weekly and Monthly to Review.
- Review P&L From the Previous Month No Later Than the 15th of the Month.
- Know Your KPI's.

Perform an Annual Dental Lab Business Check-up

- Check Your Vital Signs Against Your Budget.
- Address and Find A Solution For Your Critical Signs.
- Don't Ignore the Warning Signs.
 - Know Your KPI's.



Thank-you For Listening

Join Us for Our Next Presentation on **Secrets to Setting Up a Sales Program** on August 16th.

August 16, 2016



Sit Back and Enjoy the Ride!



& special thanks to



Approach
MANAGEMENT GROUP INC

darren lemke - president

patti glendinning - vice president

Have Questions?

We would love to speak with you.



If you would like to find out more

www.Approachmg.com / info@approachmg.com