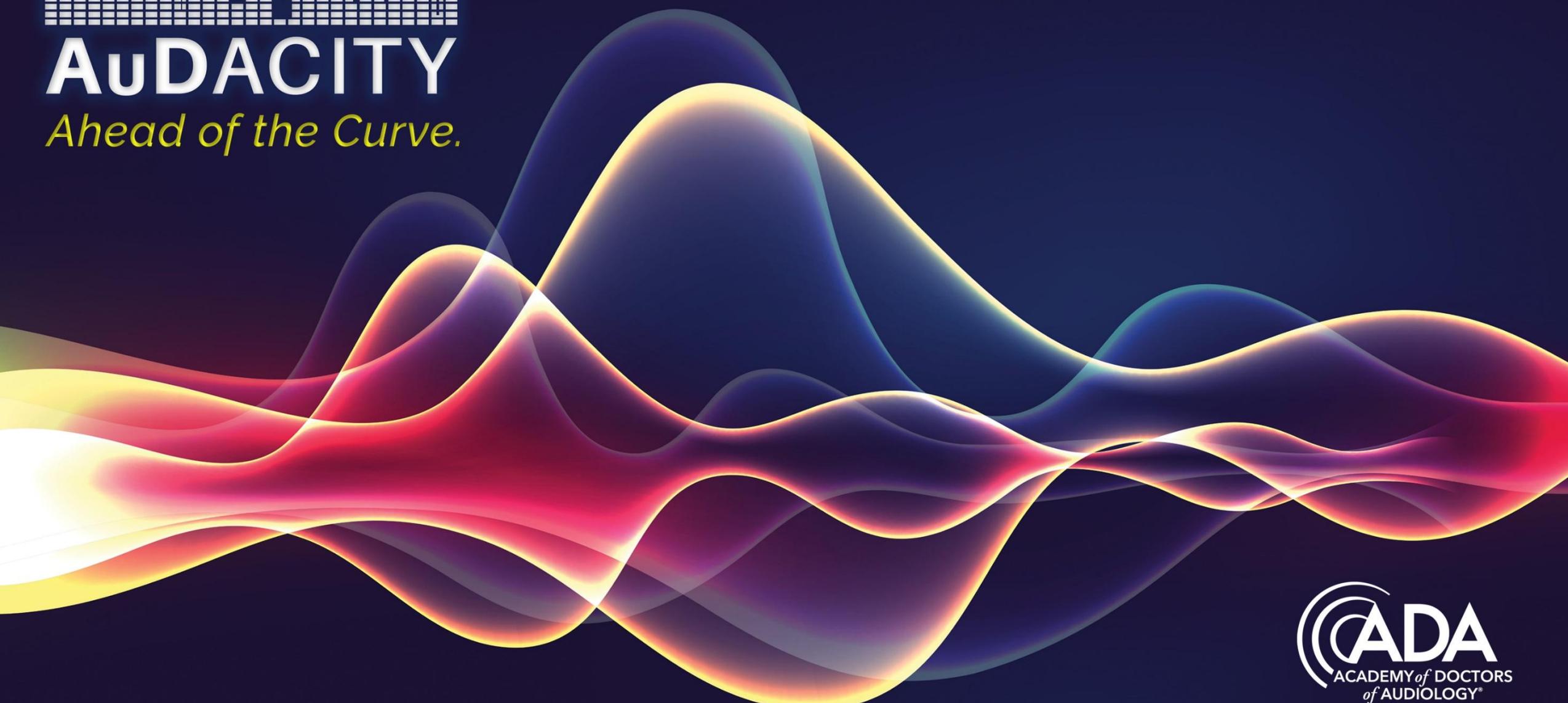




AuDACITY

Ahead of the Curve.

October 20-23, 2022
Grapevine/Dallas, Texas



Financial Management and Forecasting: The Must-Know Figures, Formulas, and Factors

Alicia Amlani

Otolithic, LLC

Amy M. Amlani, PhD

Otolithic, LLC

Disclosures

Alicia Amlani

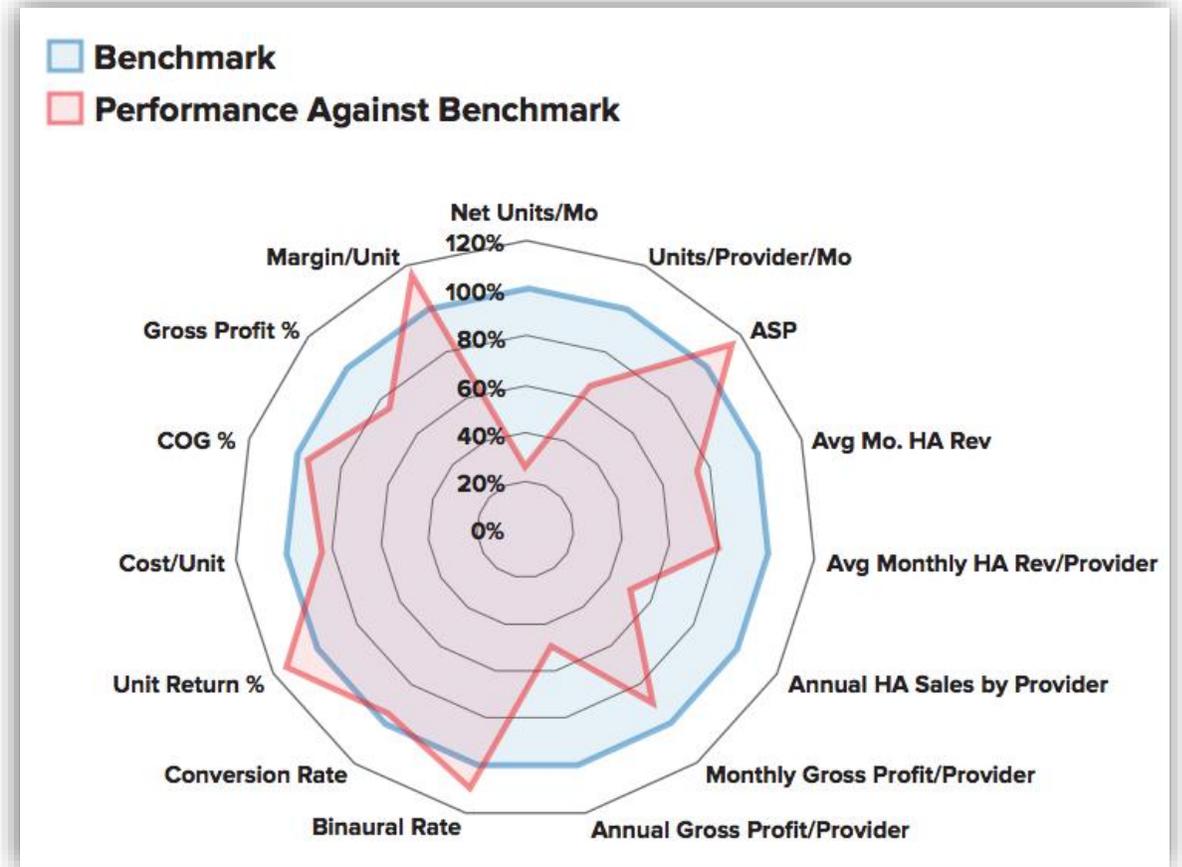
- Financial
 - Co-owner at Otolithic, LLC
- Non-Financial
 - None

Amy Amlani

- Financial
 - Co-owner at Otolithic, LLC
- Non-Financial
 - Member-at-Large, ADA
 - Section Editor - Economics, HHTM

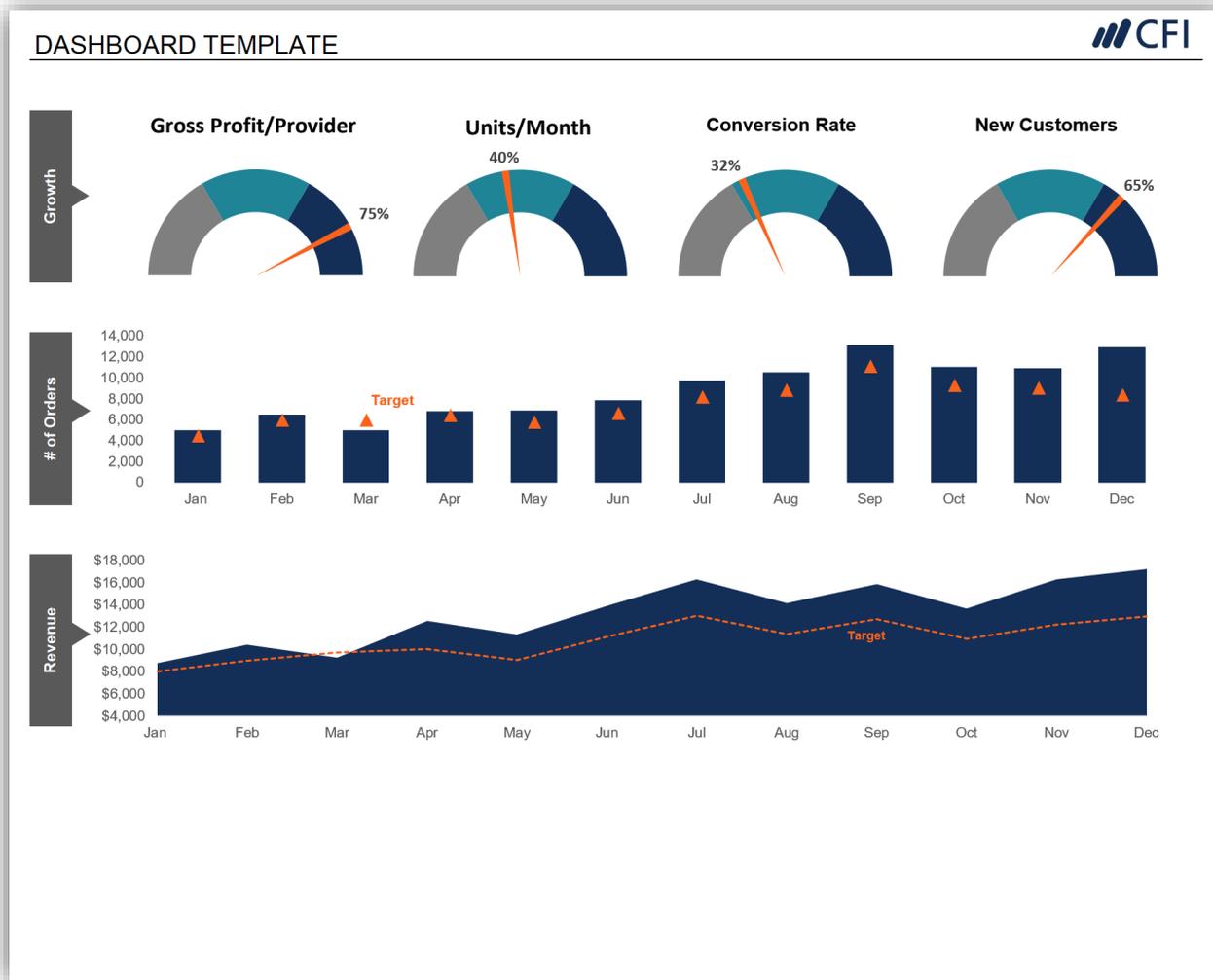
Key Performance Indicator (KPI)

- KPIs are a subset of performance indicators that provide management with quantifiable data on the company's progress/efficiency in achieving its key business objectives

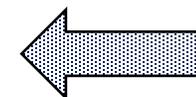


Taylor et al (2015)

Application and Outcomes of KPIs



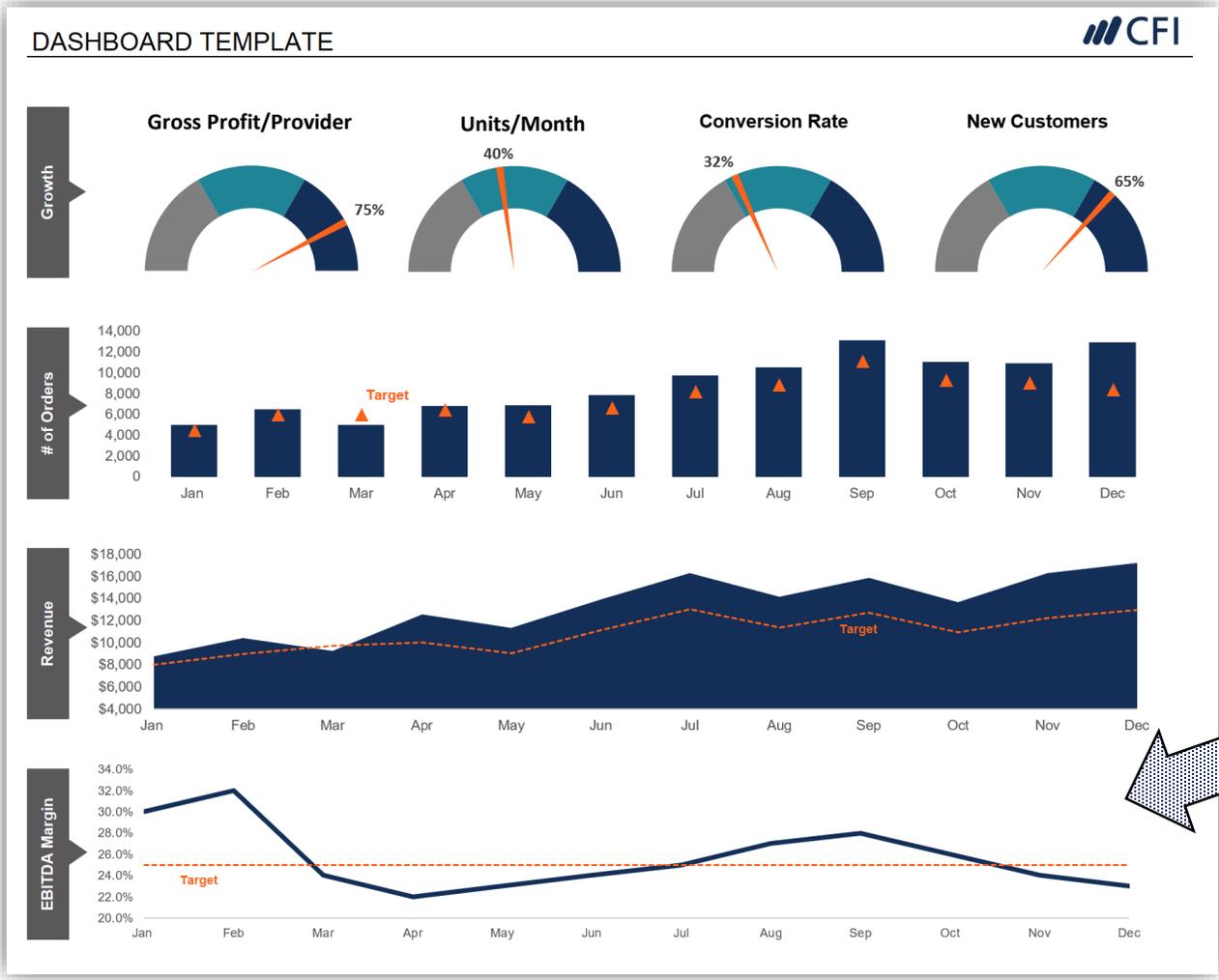
Gross Revenue is Exceeding Target = Profitability



“True” **Earnings** is Masked by Other **Expense** Factors

<https://corporatefinanceinstitute.com/>

Potential Reasons for "Masked" Profitability

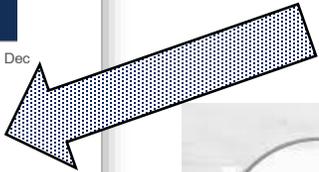


<https://corporatefinanceinstitute.com/>



Schedule for All (0001 - MCA Hearing and Speech Clinic) on Apr 08, 19

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Financial Analysis



- Financial analysis refers to an assessment of the viability, stability, and profitability of a business in the context of its industry and economic environment

- Assessment provides a recommendation/decision on the business' performance and financial position

https://medium.com/@iDashboards_UK/5-kpis-to-assure-your-business-financial-stability-19982b09feec

What Financial Analysis(es) Should Owners by Reviewing and How Often?

- Balance Sheet - Reports company's assets, liabilities, and equity

“What is **Owned** and **Owed** at a given point in time”

- Equations:
 - Current ratio: $\text{Current assets} / \text{current liabilities}$
 - Quick ratio formula: $(\text{Current assets} - \text{inventory}) / \text{current liabilities}$
 - $\text{Assets} = \text{Liabilities} + \text{Equity}$
- Reviewed Monthly

[Company Name]		© Corporate Finance Institute®. All rights reserved.				
Balance Sheet						
[USD \$ millions]		2014	2015	2016	2017	2018
Assets						
Current assets:						
Cash		167,971	181,210	183,715	211,069	239,550
Accounts Receivable		5,100	5,904	6,567	7,117	7,539
Prepaid expenses		4,806	5,513	5,170	5,998	5,682
Inventory		7,805	9,601	9,825	10,531	11,342
Total current assets		185,682	202,228	205,277	234,715	264,112
Property & Equipment		45,500	42,350	40,145	38,602	37,521
Goodwill		3,580	3,460	3,910	3,870	3,850
Total Assets		234,762	248,038	249,332	277,187	305,483
Liabilities						
Current liabilities:						
Accounts Payable		3,902	4,800	4,912	5,265	5,671
Accrued expenses		1,320	1,541	1,662	1,865	1,899
Unearned revenue		1,540	1,560	1,853	1,952	1,724
Total current liabilities		6,762	7,901	8,427	9,082	9,294
Long-term debt		50,000	50,000	30,000	30,000	30,000
Other long-term liabilities		5,526	5,872	5,565	6,051	5,909
Total Liabilities		62,288	63,773	43,992	45,133	45,203
Shareholder's Equity						
Equity Capital		170,000	170,000	170,000	170,000	170,000
Retained Earnings		2,474	14,265	35,340	62,053	90,280
Shareholder's Equity		172,474	184,265	205,340	232,053	260,280
Total Liabilities & Shareholder's Equity		234,762	248,038	249,332	277,187	305,483
Check		0.000	0.000	0.000	0.000	0.000

What Financial Analysis(es) Should Owners by Reviewing and How Often?

- Profit & Loss (P&L)- Reports company's revenue and expenses during a specific period

“Revenue less Costs”

- Equations:
 - Gross Profit: Revenue – Cost of Goods
 - Gross margin: Net sales - Cost of Goods Sold
 - Net Income: Revenue – Expenses
- Reviewed Monthly

	Year Ended January 31,			Six Months Ended July 31,	
	2019	2020	2021	2020	2021
(in thousands, except share and per share data)					
Consolidated Statements of Operations Data:					
Revenue:					
License	\$ 5,610	\$ 18,503	\$ 36,208	\$ 15,204	\$ 21,958
Support	43,462	96,820	165,607	75,622	110,888
Cloud-hosted services	972	2,339	4,092	1,341	6,342
Total subscription revenue	50,044	117,662	205,907	92,167	139,188
Professional services	3,807	3,599	5,947	2,625	2,837
Total revenue	53,851	121,261	211,854	94,792	142,025
Cost of revenue:					
Cost of license(1)	169	294	536	243	130
Cost of support(1)	7,619	17,704	27,194	13,469	16,684
Cost of cloud-hosted services(1)	156	1,390	4,811	1,164	5,197
Total cost of subscription revenue(1)	7,944	19,388	32,541	14,876	22,011
Cost of professional services(1)	1,449	4,527	8,511	4,340	3,584
Total cost of revenue(1)	9,393	23,915	41,052	19,216	25,595
Gross profit	44,458	97,346	170,802	75,576	116,430
Operating expenses:					
Sales and marketing(1)	39,386	89,308	141,018	75,951	88,869
Research and development(1)	20,612	40,118	65,248	34,314	43,048
General and administrative(1)	32,337	24,137	48,545	32,835	25,028
Total operating expenses	92,335	153,563	254,811	143,100	156,945
Loss from operations	(47,877)	(56,217)	(84,009)	(67,524)	(40,515)
Other income, net	694	3,382	756	543	89
Loss before income taxes	(47,183)	(52,835)	(83,253)	(66,981)	(40,426)
Provision for income taxes	168	535	262	346	61
Net loss	\$ (47,351)	\$ (53,370)	\$ (83,515)	\$ (67,327)	\$ (40,487)

What Financial Analysis(es) Should Owners by Reviewing and How Often?

Cash Flow – Tracks incoming and outgoing cash, and what is left on hand

- Reviewed Monthly

Date	January	February	March
Starting Cash Balance	\$ 3,403.00	\$ 5,796.50	\$ 9,501.50
Cash Received			
Cash from Operations	\$ 1,200.00	\$ 1,100.00	\$ 500.00
Cash Sales	\$ 5,670.00	\$ 6,700.00	\$ 4,000.00
Subtotal Cash from Operations	\$ 6,870.00	\$ 7,800.00	\$ 4,500.00
Additional Cash Received			
New Current Borrowing	\$ -	\$ -	\$ -
New Long-Term Liabilities	\$ -	\$ -	\$ -
Sales of Current Assets	\$ 150.00	\$ -	\$ 300.00
Sales of Long-Term Assets	\$ -	\$ -	\$ -
New Investment Received	\$ -	\$ 15,000.00	\$ -
Subtotal Cash Received	\$ 150.00	\$ 15,000.00	\$ 300.00
Total Cash Received	\$ 7,020.00	\$ 22,800.00	\$ 4,800.00
Expenditures			
Expenditures from Operations	\$ (3,500.00)	\$ (3,800.00)	\$ (3,900.00)
Cash Spending	\$ 123.50	\$ (340.00)	\$ (470.00)
Bill Payments	\$ (750.00)	\$ (780.00)	\$ (810.00)
Subtotal Spent on Operations	\$ (4,126.50)	\$ (4,920.00)	\$ (5,180.00)
Additional Cash Spent			
Repayment of Current Borrowing	\$ (350.00)	\$ (4,000.00)	\$ -
Long-Term Liabilities Repayment	\$ (150.00)	\$ (175.00)	\$ (150.00)
Purchase of Current Assets	\$ -	\$ (10,000.00)	\$ (1,000.00)
Purchase of Long-Term Assets	\$ -	\$ -	\$ (1,900.00)
Dividends	\$ -	\$ -	\$ -
Subtotal Cash Spent	\$ (500.00)	\$ (14,175.00)	\$ (3,050.00)
Total Cash Spent	\$ (4,626.50)	\$ (19,095.00)	\$ (8,230.00)
Net Cash Flow	\$ 2,393.50	\$ 3,705.00	\$ (3,430.00)
Ending Cash Balance	\$ 5,796.50	\$ 9,501.50	\$ 6,071.50

Tip #1. What Tip Would You Offer Audiology Practice Owners?

Accounting Strategy

CASH-BASIS ACCOUNTING

PROS

It's very simple.

Business owners can see exactly how much money they have at any given time.

CONS

It lacks detail.

It's possible to outgrow this method - businesses of a certain size won't be allowed to use it.

Cash could jump drastically from one month to the next which may not give a truthful picture of business performance.

It's easy to overspend if upcoming expenses aren't tracked.

ACCRUAL-BASIS ACCOUNTING

PROS

It gives a greater level of detail and a true picture of a business.

Forecasting is easier and more accurate.

It is required by the GAAP for certain size businesses, so starting this way means, if the intention is to grow, a transition from cash to accrual accounting won't be required.

It aligns with GAAP requirements and standards.

CONS

It's not as simple. More resources are required for this, like accounting software or staff.

Taxes need to be set aside in what's normally called a tax liability account.

Tip #1. What Tip Would You Offer Audiology Practice Owners?

Accounting Strategy

Example: Your business sells a \$3000 hearing aid with 1 year SaaS for \$1200 on October 1st (i.e., \$4200 total). The business is paid this amount on October 10th, and SaaS starts upon hearing aid fitting on October 10th. Your business pays for the hearing aid invoice to the manufacturer for \$2400 on October 30th.

Cash Basis		October	November	December	Total
	Revenue	4200			4200
	Expenses	2400			2400
	Net Income	1800			1800
Accrual Basis		October	November	December	Total
	Revenue	3100	100	100	3300
	Expenses	2400			2400
	Net Income	700	100	100	900

Tip #1. What Tip Would You Offer Audiology Practice Owners?

Accounting Strategy – See A Professional

Form **3115**
(Rev. December 2018)
Department of the Treasury
Internal Revenue Service

Application for Change in Accounting Method

► Go to www.irs.gov/Form3115 for instructions and the latest information.

OMB No. 1545-2070

Schedule A—Change in Overall Method of Accounting (If Schedule A applies, Part I below must be completed.)

Part I Change in Overall Method (see instructions)

- 1 Check the appropriate boxes below to indicate the applicant's present and proposed methods of accounting.
- | | | | |
|-------------------------|-------------------------------|----------------------------------|--|
| Present method: | <input type="checkbox"/> Cash | <input type="checkbox"/> Accrual | <input type="checkbox"/> Hybrid (attach description) |
| Proposed method: | <input type="checkbox"/> Cash | <input type="checkbox"/> Accrual | <input type="checkbox"/> Hybrid (attach description) |

Tip #2. What Tip Would You Offer Audiology Practice Owners?

Chart of Accounts

The wrong chart of accounts will destroy a business before it even starts



by **Mark W. Kaelin** in **TechRepublic Premium** 
on December 15, 2016, 10:27 AM PST

The chart of accounts is the foundation upon which a business is built. Learn how to craft your chart before you start your small business. You'll be sorry if you don't.

<https://www.techrepublic.com/article/the-wrong-chart-of-accounts-will-destroy-a-business-before-it-even-starts/>

Examples of Chart of Accounts

HA Accessories	Cost of Goods Sold	
HAs	Cost of Goods Sold	
Miscellaneous Income	Income	
Expenses	Expense	
Amortization Expense	Expense	Other Expenses
Automobile Expense	Expense	
Bank Service Charges	Expense	
Clinical Equipment	Expense	COGS?
Clinical Supplies	Expense	COGS?
Equipment Rental	Expense	
Consulting	Expense	
Donations	Expense	
Corporate Filing Fee	Expense	
Depreciation Expense	Expense	Other Expenses
Dues and Subscriptions	Expense	
Rent and repairs	Expense	This account idicates Rent expense
Repairs	Expense	but Rent is not a category,
Repairs:Building Repairs	Expense	headers should not have any
Repairs:Computer Repairs	Expense	amounts posted.
Repairs:Equipment Repairs	Expense	
Repairs:Janitorial Exp	Expense	
Salaries and Wages	Expense	
Salaries and Wages:Non-Officer Salaries & Wage	Expense	
Salaries and Wages:Officer Salaries	Expense	
Salaries and Wages:Payroll Taxes	Expense	
Software	Expense	Too many software accounts,
Office Software	Expense	should consolidate into one,
OMS	Expnese	is any of this a COGS?
Other Software	Expense	
Travel & Ent	Expense	
Travel & Ent:Entertainment	Expense	
Travel & Ent:Meals	Expense	
Travel & Ent:Travel	Expense	
Uncategorized Expenses	Expense	Never use an Uncatigorized Expense, same goes for Misc Expense, they turn into dumping bucket.
Utilities	Expense	
Utilities:Computer	Expense	Condense, could be Utilities:
Utilities:Gas and Electric	Expense	Internet/Telephone
Utilities:Security	Expense	Gas/Electric/Water
Utilities:Telephone	Expense	
Utilities:Water	Expense	
Miscellaneous Expense	Expense	

Examples of Chart of Accounts

7300 Bank Fees	
7301 Merchant & Credit Card Fees	0.00
7302 Credit Card Cash Back	0.00
7305 Patient Financing Fees	0.00
7310 Bank Service Charges	0.00
Total 7300 Bank Fees	\$ 0.00
7400 Insurance Expense	
7420 Malpractice Insurance	0.00
7425 Medical Office Insurance	0.00
7430 Workers Comp Insurance	0.00
7435 Disability Insurance	0.00
7440 Owner Insurance	0.00
7450 Other Insurance	0.00
Total 7400 Insurance Expense	\$ 0.00
7500 Occupancy Cost	
7505 Rent Expense	0.00
7510 Water/Sewer/Garbage	0.00
7520 Gas & Electricity	0.00
7530 Telephone & Communication	0.00
7530.1 Cell Phone Reimbursement	0.00
7535 Janitorial Repair & Maintenance	0.00
Total 7500 Occupancy Cost	\$ 0.00
7600 Office Expense	
7605 Office Supplies	0.00
7610 Printing & Reproduction	0.00
7615 Postage & Delivery	0.00
7620 Dues & Subscriptions	0.00
7625 Training & Education	0.00
7630 Clinical Supplies	0.00
7635 Gifts & Promos	0.00
Total 7600 Office Expense	\$ 0.00
7700 Equipment	
7705 Equipment Rental/Lease	0.00
7710 Tools & Equipment	0.00
Total 7700 Equipment	\$ 0.00



Tip #3. What Tip Would You Offer Audiology Practice Owners?

Consumer-Base: Relational vs Transactional

TRANSACTIONAL CUSTOMERS

Are focused on today's transaction,
not future purchases

Fear overpaying

Enjoy comparing their options

Often do their own research and therefore
don't require an expert's advice

Don't consider their time spent shopping
to be part of the purchase price

Love to talk about the "good deal"
they found

CONSULTATIVE (RELATIONAL) CUSTOMERS

Consider today's transaction to be one of
many future purchases

Fear making a bad decision

Don't enjoy the process of evaluating a
product or service

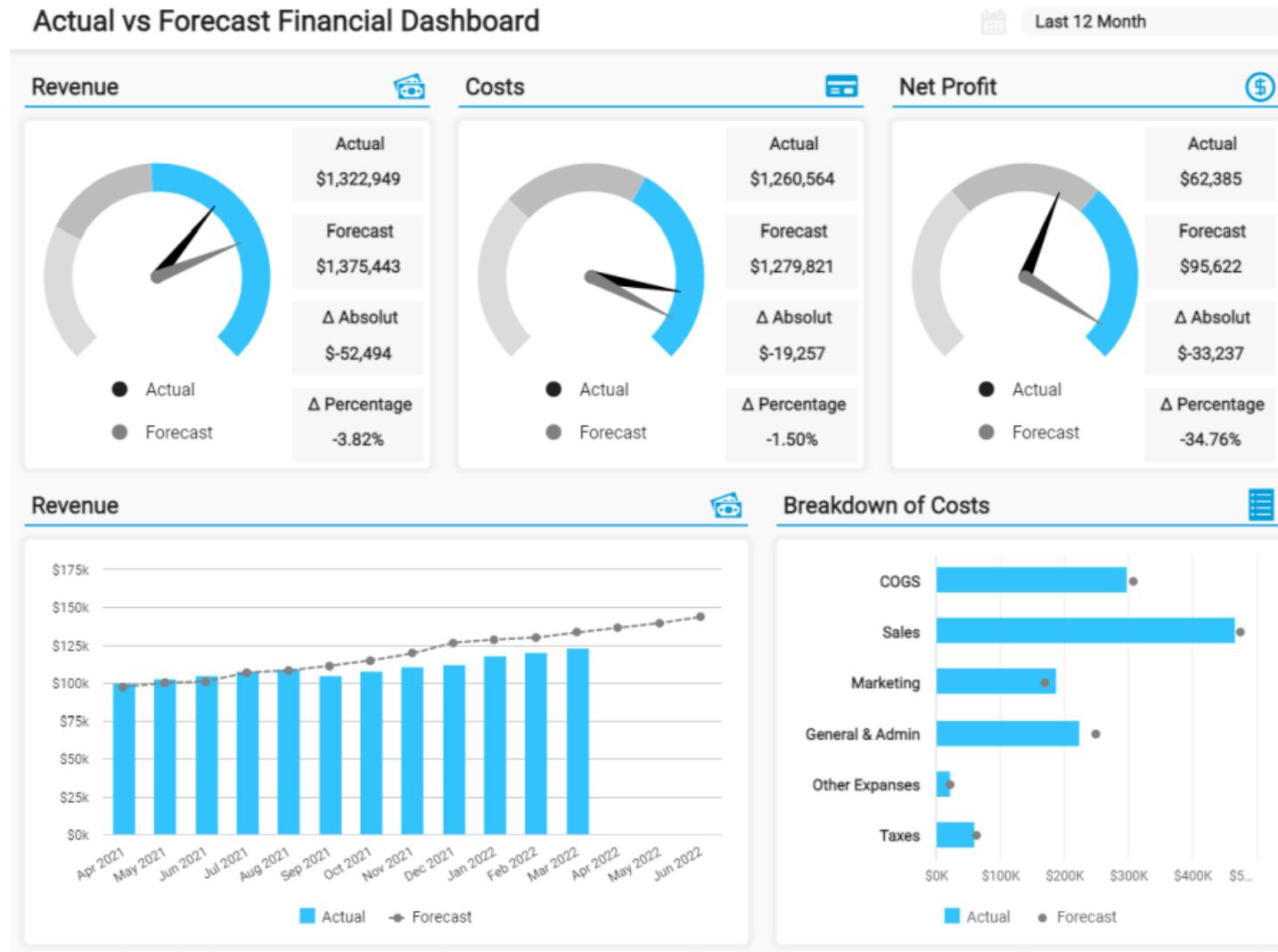
Are looking for an expert they can trust

Consider their time spent shopping to be
part of the purchase price

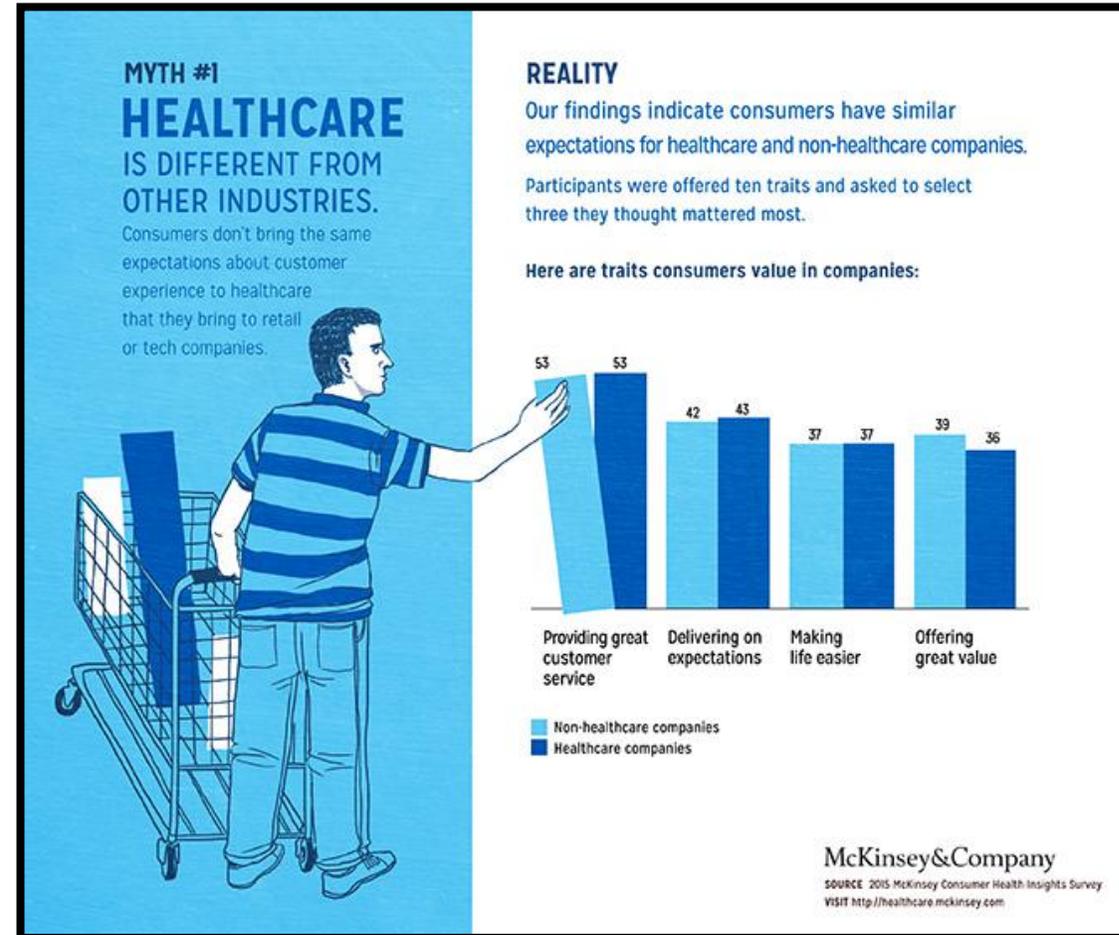
Are very likely to become repeat or long-
term customers

Tip #3. What Tip Would You Offer Audiology Practice Owners?

Forecasting

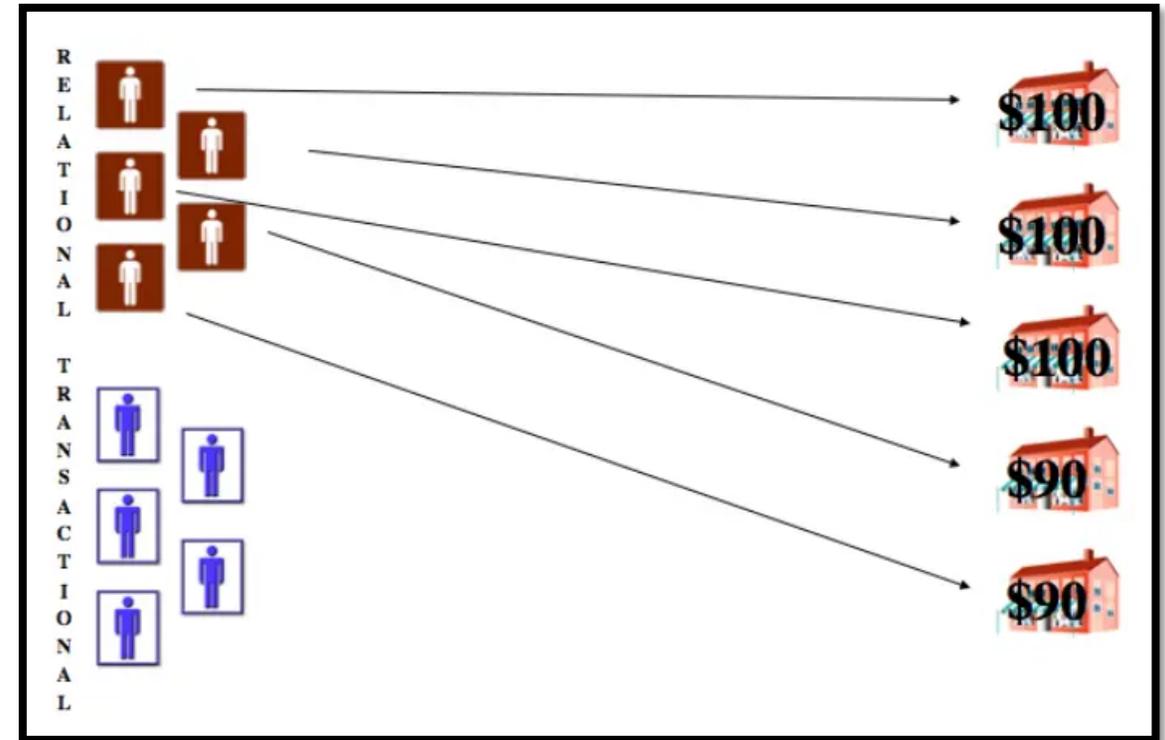
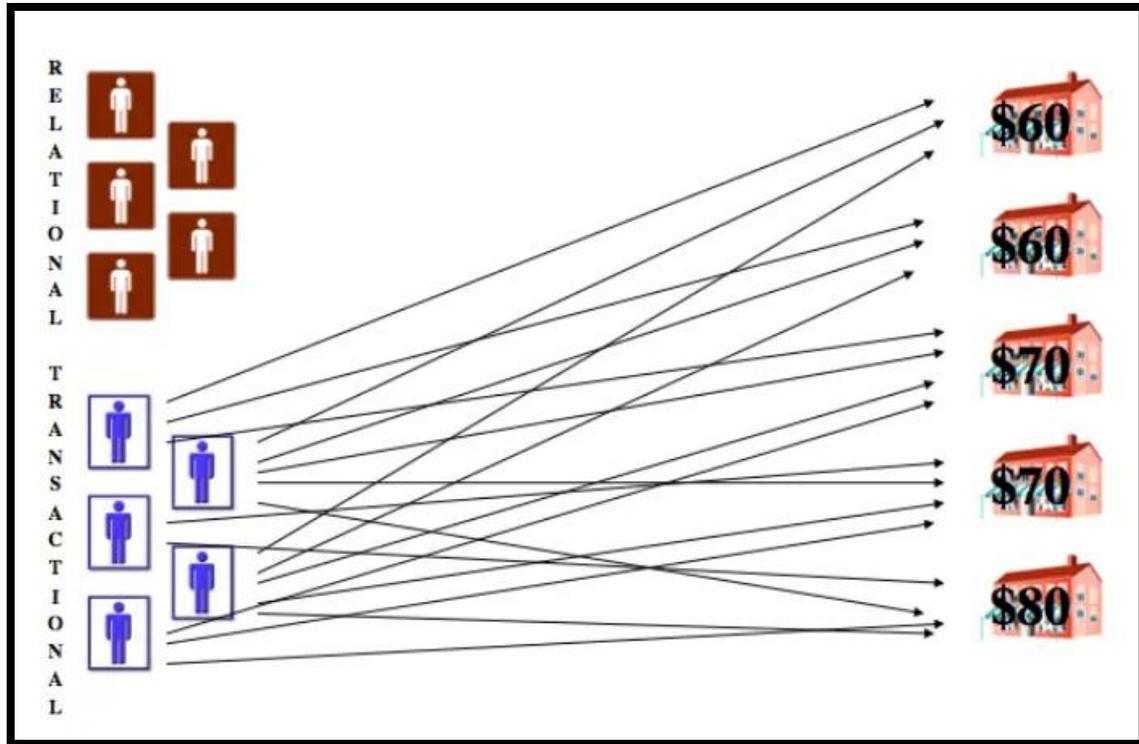


Tip #4. What Tip Would You Offer Audiology Practice Owners? Healthcare Consumerism



Tip #4. What Tip Would You Offer Audiology Practice Owners?

Consumer-Base: Transactional vs Relational



<https://wizardofads.org/transactional-vs-relational-customers-are-you-attracting-the-wrong-people/>

Tip #4. What Tip Would You Offer Audiology Practice Owners?

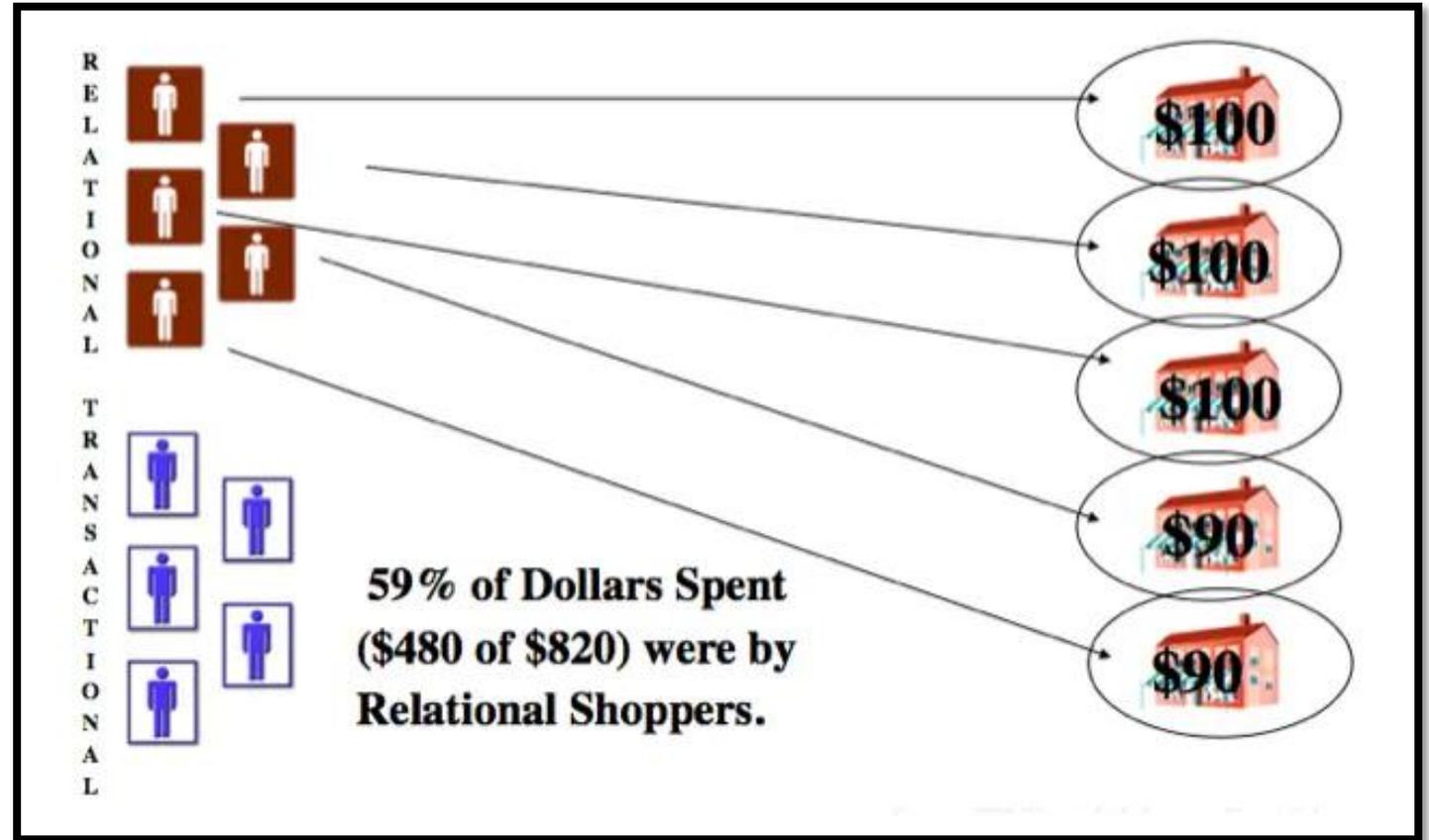
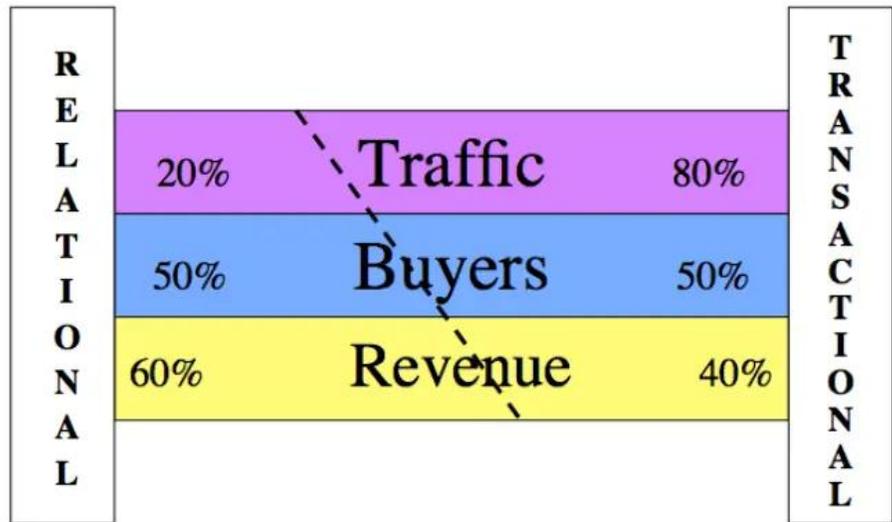
Consumer-Base: Transactional vs Relational



<https://wizardofads.org/transactional-vs-relational-customers-are-you-attracting-the-wrong-people/>

Tip #4. What Tip Would You Offer Audiology Practice Owners?

Consumer-Base: Transactional vs Relational



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Tip #4. What Tip Would You Offer Audiology Practice Owners?

Consumer-Base: Transactional vs Relational



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Tip #4. What Tip Would You Offer Audiology Practice Owners?

Consumer-Base: Relational vs Transactional



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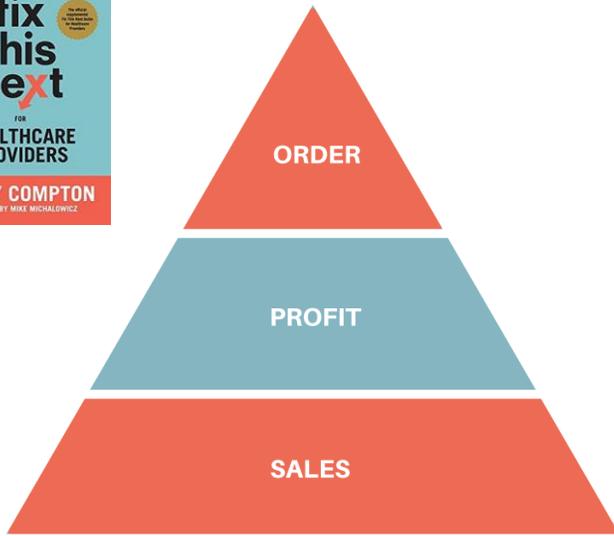
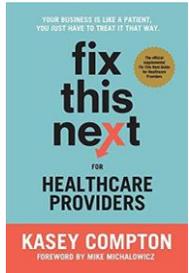
Health-as-a-Service

Published on December 27, 2018



<https://www.linkedin.com/pulse/health-as-a-service-vedran-bo%C5%A1ki%C4%87/>

SaaS Story





Final Thoughts

- Applying KPIs and Financials
- Professional Help
- Audiology SaaS Model
- Itemize Services from Products

Thank you!



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