

2021



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AUDIOLOGY UNLEASHED

OCTOBER 25-27 **PORTLAND, OREGON**

Cash Flow Management

KC Grzelka

Strategic Business Unit Director



Agenda

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**Importance
of Cash Flow**

2

**Understanding
Cash Flow
Statement**

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**Cash Flow
Forecasting**

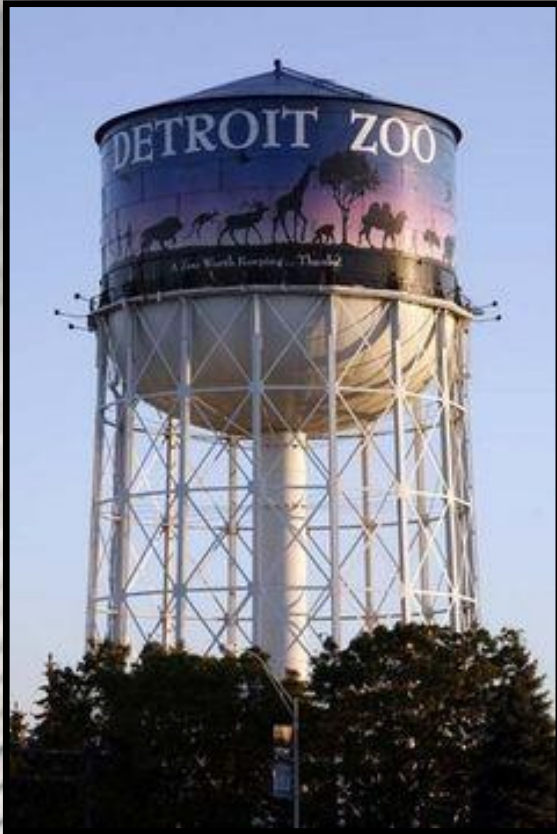
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**Questions &
Answers**



The Importance of Cash Flow

Importance of Cash Flow



Why is it so Important?

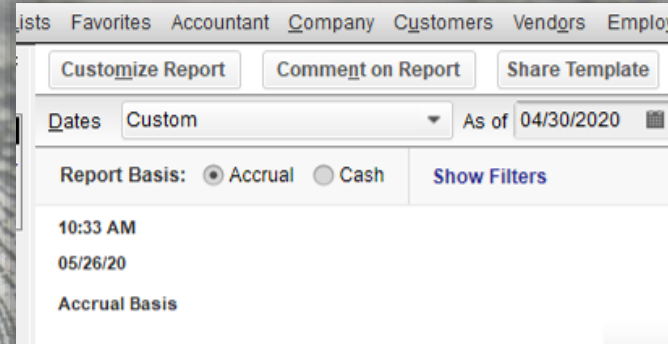
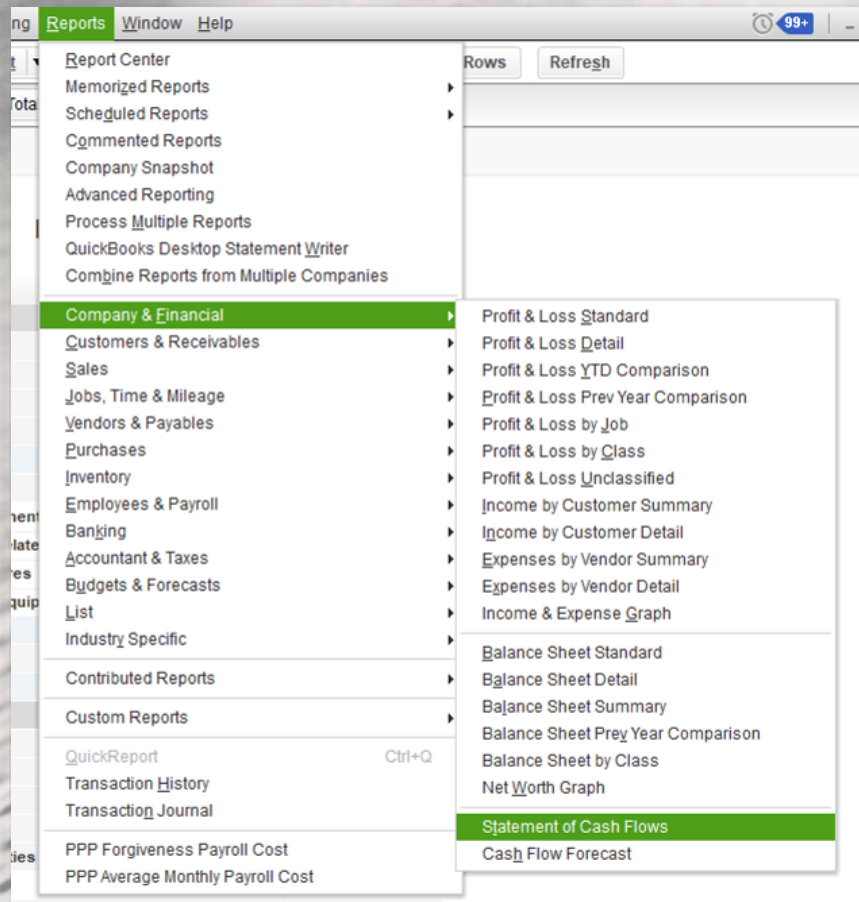
- Cash is the *Lifeblood* of the business
- Positive cash flow drives Profit & Business Value
- High positive cash flow allows for investments to grow and mature your business





Understanding Cash Flow Statement

Understanding Cash Flow Statement



Understanding Cash Flow Statement

**Operating
Activities**

Collections & Payments
from Operations

**Investing
Activities**

Purchase of Assets

**Financing
Activities**

Loans & Distributions

Understanding Cash Flow Statement

Profit & Loss

January through April 2020

Jan - Apr 20

▼ Ordinary Income/Expense

▶ Income	414,091
▶ Cost of Goods Sold	116,902
Gross Profit	297,189

▼ Expense

▶ 7000 · Marketing Expenses	35,315
▶ 7100 · Payroll & Related Expenses	174,547
▶ 7200 · Outside Services	11,597
▶ 7300 · Banking & Finance	14,013
▶ 7400 · Insurance	1,707
▶ 7500 · Occupancy Costs	35,342
▶ 7600 · Office	7,123
▶ 7700 · Equipment	5,274
▶ 7800 · Travel, Meals & Entertainment	1,385
▶ 7900 · Taxes	4,985
▶ 8000 · Other	-2,134

Total Expense 289,154

Net Ordinary Income 8,034

▼ Other Income/Expense

▶ Other Income 14,131

Net Other Income 14,131

Net Income 22,165

Statement of Cash Flows

January through April 2020

Jan - Apr 20

▼ OPERATING ACTIVITIES

Net Income 22,165

▼ Adjustments to reconcile Net Income

▼ to net cash provided by operations:

1300 · Accounts Receivable	24,950
2001 · Accounts Payable	-12,472
2100 · Credit Card 1	-27
2105 · Credit Card 2	1
2240 · State Withholding	779
2250 · FUTA	-58
2260 · Other Tax	-134

Net cash provided by Operating Activities 35,205

▼ INVESTING ACTIVITIES

1503 · Office Comp & Related Equip -2,893

Net cash provided by Investing Activities -2,893

▼ FINANCING ACTIVITIES

2450 · Supplier Loan -75,758

2455 · SBA Note Payable -19,038

3200 · Opening Bal Equity 18,333

Net cash provided by Financing Activities -76,463

Net cash increase for period -44,151

Cash at beginning of period 357,743

Cash at end of period 313,592

Understanding Cash Flow Statement

Statement of Cash Flows

January through April 2020

Jan - Apr 20

OPERATING ACTIVITIES	
Net Income	22,165
Adjustments to reconcile Net Income	
to net cash provided by operations:	
1300 · Accounts Receivable	24,950
2001 · Accounts Payable	-12,472
2100 · Credit Card 1	-27
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2250 · FUTA	-58
2260 · Other Tax	-134
Net cash provided by Operating Activities	35,205
INVESTING ACTIVITIES	
1503 · Office Comp & Related Equip	-2,893
Net cash provided by Investing Activities	-2,893
FINANCING ACTIVITIES	
2450 · Supplier Loan	-75,758
2455 · SBA Note Payable	-19,038
3200 · Opening Bal Equity	18,333
Net cash provided by Financing Activities	-76,463
Net cash increase for period	-44,151
Cash at beginning of period	357,743
Cash at end of period	<u>313,592</u>

Balance Sheet

As of April 30, 2020

Apr 30, 20

ASSETS	
Current Assets	
Checking/Savings	313,592
Accounts Receivable	154,651
Other Current Assets	26,685
Total Current Assets	494,928
Fixed Assets	
1502 · Audiology Equipment	1,730,944
1503 · Office Comp & Related Equip	13,152
1504 · Furniture & Fixtures	5,462
1522 · A/D - Audiology Equip	-275,000
Total Fixed Assets	1,474,558
Other Assets	-181,360
TOTAL ASSETS	<u>1,788,125</u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	62,688
Credit Cards	36,918
Other Current Liabilities	2,284
Total Current Liabilities	101,890
Long Term Liabilities	1,623,234
Total Liabilities	1,725,124
Equity	
3000 · Dividends/Distributions	-71,825
3100 · Capital Stock	-58,167
3200 · Opening Bal Equity	-146,667
4999 · Retained Earnings	317,494
Net Income	22,165
Total Equity	63,001
TOTAL LIABILITIES & EQUITY	<u>1,788,125</u>

Profit & Loss

January through April 2020

Jan - Apr 20

Ordinary Income/Expense	
Income	414,091
Cost of Goods Sold	116,902
Gross Profit	297,189
Expense	
7000 · Marketing Expenses	35,315
7100 · Payroll & Related Expenses	174,547
7200 · Outside Services	11,597
7300 · Banking & Finance	14,813
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7800 · Travel, Meals & Entertainment	1,385
7900 · Taxes	4,865
8000 · Other	-2,134
Total Expense	289,154
Net Ordinary Income	8,034
Other Income/Expense	
Other Income	14,131
Net Other Income	14,131
Net Income	<u>22,165</u>

Understanding Cash Flow Statement

Key Performance Indicators

	April	2020 YTD	2019 YTD	AG Target
Financial				
Adjusted Payroll % of Gross Profit		34%	31%	< 45%
Owner's Distribution % of Cash Flow		0%	1000%	< 50%
Months of Expenses in Cash		3.9	(10.9)	> 3.0
Months of Revenue in A/R		1.1	1.3	< 1.3
Months of Costs in A/P		0.7	0.6	< 1.4
Working Capital		\$383,345	\$203,630	467k
Debt Coverage Ratio		0%	0%	> 65%
Equity % of Assets		(1%)	(8%)	> 50%

Cash Flow Statement

	April	YTD	3m Chg
Operating Activities			
Net Income	(\$28,646)	(\$52,835)	(23k)
Adjustment from Accounts Receivable	11,759	24,950	46k
Adjustment from Other Assets	14,954	51,197	(5k)
Adjustment from Accounts Payable	(1,018)	(12,472)	(51k)
Adjustment from Credit Cards & Other Liabilities	(2,466)	561	(8k)
Net Cash from Operating Activities	(15,417)	11,401	(41k)
Investing Activities	8,333	30,441	0k
Long-Term Debt Principle Payments	(42,110)	(94,796)	2k
Distributions & Dividends Issued	0	0	0k
Other Financing Activities	4,583	18,333	0k
Net Change in Cash	(44,610)	(34,621)	(39k)
Ending Cash Balance	\$303,899	\$303,899	

Balance Sheet

	YTD Average	2020	2019	3m Chg
Assets				
Checking/Savings	\$75,975	\$303,899	\$338,520	(29k)
Accounts Receivable	38,663	154,651	179,601	(59k)
Fixed & Current Assets	311,221	1,244,882	1,326,520	(53k)
Total Assets	425,858	1,703,432	1,844,641	(142k)
Liabilities & Equity				
Accounts Payable	15,672	62,688	75,160	(53k)
Credit Cards & Current Liabilities	9,800	39,202	38,641	(5k)
Long-Term Liabilities	405,809	1,623,234	1,718,030	(51k)
Total Liabilities	431,281	1,725,124	1,831,832	(109k)
Distributions	(17,956)	(71,825)	(71,825)	0k
Retained Earnings & Capital Stock	12,533	50,133	84,634	14k
Total Equity	(5,423)	(21,692)	12,809	(33k)
Total Liabilities & Equity	\$425,858	\$1,703,432	\$1,844,641	(142k)



Cash Flow Forecasting

Financial ratios can provide small business owners and managers with a valuable tool with which to measure their progress against predetermined internal goals, a certain competitor, or the overall industry. In addition, tracking various ratios over time is a powerful means of identifying trends in their early stages.

~Inc.

How to Measure Healthy Cash Balance

- Financial Ratios
- Liquidity Ratios
 - Cash Balance vs Monthly Expense
 - Working Capital vs Monthly Expenses

Sample Cash Ratio Calculation

- Cash Balance: \$313,592
- Average Monthly Expenses: \$72,289
- Cash Balance / Avg Monthly Expenses
- $\$313,592 / \$72,289 = 4.33$
- Months of Expenses in Cash = 4.3

Healthy **>3.0**
Concerned 1.0 - 2.9
High Risk **<1.0**

Months of Expenses in Cash

Sample Working Capital Ratio Calculation

- Working Capital: \$273,252
 - Current Assets – Current Liabilities
- Average Monthly Expenses: \$72,289
- Working Capital / Avg Monthly Expenses
- $\$273,252 / \$72,289 = 3.78$
- Months of Expenses in Working Capital = 3.8

Healthy >4.0
Concerned 1.0 - 3.9
High Risk <1.0

Months of Expenses in Working Capital

Improve Ratio = Increase Cash Balance and/or Decrease Expenses

FORECAST SUMMARY

		Mar-Feb Actuals		Projections						
Account Description	Monthly Avg	Weekly Avg	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Collected Revenue	\$157,073	\$36,248	\$54,120	\$60,919	\$60,960	\$63,664	\$77,562	\$102,879	\$119,145	\$116,556
COGs Payments	\$42,835	\$9,885	\$20,000	\$20,000	\$31,783	\$14,018	\$17,991	\$21,243	\$26,246	\$38,480
Gross Profit	\$114,238	\$26,363	\$34,120	\$40,919	\$29,177	\$49,645	\$59,571	\$81,636	\$92,900	\$78,076
Total Marketing	\$7,654	\$1,766	\$6,267	\$6,516	\$6,516	\$6,516	\$6,516	\$6,516	\$6,516	\$6,516
Total Personnel	\$41,940	\$9,678	\$23,306	\$22,366	\$22,366	\$30,150	\$30,150	\$30,150	\$30,150	\$30,150
Total Outside Services	\$1,359	\$314	\$1,357	\$1,357	\$1,357	\$1,357	\$1,357	\$1,357	\$1,357	\$1,357
Total Bank Fees	\$3,484	\$804	\$1,795	\$2,266	\$2,474	\$4,216	\$2,993	\$3,572	\$3,878	\$3,494
Total Insurance	\$1,427	\$329	\$1,640	\$1,640	\$1,640	\$1,640	\$1,640	\$1,640	\$1,640	\$1,640
Total Occupancy Cost	\$11,835	\$2,731	\$10,734	\$20,140	\$20,193	\$11,498	\$11,604	\$11,710	\$14,410	\$16,763
Total Office	\$3,712	\$857	\$1,855	\$2,231	\$2,332	\$2,534	\$2,735	\$2,937	\$2,937	\$3,037
Total Equipment	\$2,931	\$676	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,300
Total Travel, Meals & Entertainment	\$1,772	\$409	\$700	\$1,250	\$1,250	\$1,385	\$1,385	\$1,385	\$1,385	\$1,385
Total Taxes	\$67	\$15	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Other Expenses	(\$2,874)	(\$663)	\$40	(\$916)	(\$1,097)	(\$1,419)	(\$1,683)	(\$2,089)	(\$3,081)	(\$2,830)
Total Expenses	\$73,307	\$16,917	\$48,694	\$57,850	\$58,030	\$58,877	\$57,698	\$58,177	\$60,191	\$62,813
Net Income	\$40,931	\$9,446	(\$14,574)	(\$16,931)	(\$28,853)	(\$9,232)	\$1,873	\$23,458	\$32,708	\$15,263

[illegible]

Ending Months of Expenses in	
2.23	Cash
2.71	Working Capital

Beginning Cash	Prior Monthly Expenses
\$202,000	\$77,307

Ending Cash	Jun-Dec Monthly Expenses
\$131,889	\$59,091

Beginning Working Capital	Ending Working Capital
\$167,959	\$160,034

Cash + Net Income	\$120,000	\$207,426	\$156,191	\$125,121	\$105,907	\$89,987	\$106,671	\$143,635	\$172,135
PPP Loan	\$82,000								
Owner Draws	\$4,000	\$0	\$10,000	\$0	\$0	\$10,000	\$0	\$0	\$10,000
Loan Payments	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000
Net Credit Card Payments		\$50,304	\$20,000	\$20,000	\$31,783	\$14,018	\$17,991	\$21,243	\$26,246
Available Line of Credit	\$50,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Ending Cash Balance	\$202,000	\$153,122	\$122,191	\$101,121	\$70,124	\$61,969	\$84,680	\$118,391	\$131,889

June - December Comparison

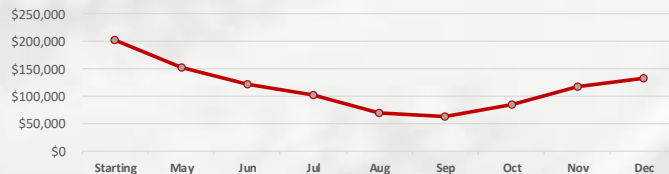
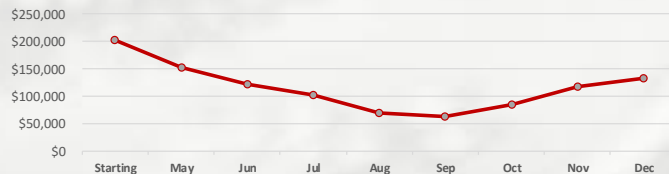
2020 Revenue	% Change
\$601,685	-33%

2020 ODE	% of Revenue
\$98,087	16%

2019 Revenue	2019 ODE
\$900,000	\$251,000

Balances	Current	Ending	Change
Accounts Receivable	\$95,620	\$148,395	\$52,775
Accounts Payable	\$79,357	\$81,770	\$2,413
Credit Cards	\$50,304	\$38,480	(\$11,824)
Line of Credit	\$150,000	\$150,000	\$0

Cash by Month

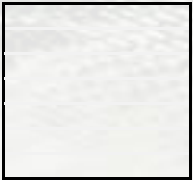

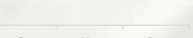


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COGs Payments	\$42,835	\$9,885	\$20,000	\$20,000	\$31,783	\$14,018	\$17,991	\$19,473	\$22,496	\$31,265
Gross Profit	\$114,238	\$26,363	\$34,120	\$40,919	\$29,177	\$47,524	\$52,957	\$69,125	\$79,143	\$67,200
Total Marketing	\$7,654	\$1,766	\$6,267	\$6,516	\$6,516	\$6,516	\$6,516	\$6,516	\$6,516	\$6,516
Total Personnel	\$41,940	\$9,678	\$23,306	\$22,366	\$22,366	\$30,150	\$30,150	\$30,150	\$30,150	\$30,150
Total Outside Services	\$1,359	\$314	\$1,357	\$1,357	\$1,357	\$1,357	\$1,357	\$1,357	\$1,357	\$1,357
Total Bank Fees	\$3,484	\$804	\$1,795	\$2,266	\$2,474	\$4,157	\$2,808	\$3,204	\$3,488	\$3,186
Total Insurance	\$1,427	\$329	\$1,640	\$1,640	\$1,640	\$1,640	\$1,640	\$1,640	\$1,640	\$1,640
Total Occupancy Cost	\$11,835	\$2,731	\$10,734	\$20,140	\$20,193	\$11,445	\$11,498	\$11,551	\$14,304	\$16,604
Total Office	\$3,712	\$857	\$1,855	\$2,231	\$2,332	\$2,433	\$2,534	\$2,634	\$2,735	\$2,735
Total Equipment	\$2,931	\$676	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,300
Total Travel, Meals & Entertainment	\$1,772	\$409	\$700	\$1,250	\$1,250	\$1,385	\$1,385	\$1,385	\$1,385	\$1,385
Total Taxes	\$67	\$15	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Other Expenses	(\$2,874)	(\$663)	\$40	(\$916)	(\$1,097)	(\$1,419)	(\$1,540)	(\$1,785)	(\$2,496)	(\$2,471)
Total Expenses	\$73,307	\$16,917	\$48,694	\$57,850	\$58,030	\$58,664	\$57,349	\$57,653	\$60,079	\$62,402
Net Income	\$40,931	\$9,446	(\$14,574)	(\$16,931)	(\$28,853)	(\$11,141)	(\$4,392)	\$11,472	\$19,064	\$4,797

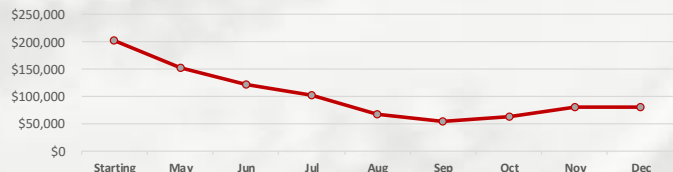
Comments	Ending Months of Expenses in
	<div>1.37 Cash</div> <div>1.75 Working Capital</div>
	<div>Beginning Cash</div> <div>\$202,000</div>
	<div>Prior Monthly Expenses</div> <div>\$77,307</div>
	<div>Ending Cash</div> <div>\$80,403</div>
	<div>Jun-Dec Monthly Expenses</div> <div>\$58,861</div>
	<div>Beginning Working Capital</div> <div>\$167,959</div>
	<div>Ending Working Capital</div> <div>\$102,719</div>

Cash + Net Income	\$120,000	\$207,426	\$156,191	\$125,121	\$103,998	\$81,813	\$84,740	\$104,310	\$116,899
PPP Loan	\$82,000								
Owner Draws	\$4,000	\$0	\$10,000	\$0	\$0	\$10,000	\$0	\$0	\$10,000
Loan Payments	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000
Net Credit Card Payments		\$50,304	\$20,000	\$20,000	\$31,783	\$14,018	\$17,991	\$19,473	\$22,496
Available Line of Credit	\$50,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Ending Cash Balance	\$202,000	\$153,122	\$122,191	\$101,121	\$68,215	\$53,795	\$62,750	\$80,837	\$80,403

	2020 Revenue	% Change
	\$543,070	-40%
	2020 ODE	% of Revenue
	\$53,815	10%
	2019 Revenue	2019 ODE
	\$900,000	\$251,000

Balances	Current	Ending	Change
Accounts Receivable	\$95,620	\$126,158	\$30,538
Accounts Payable	\$79,357	\$72,577	(\$6,780)
Credit Cards	\$50,304	\$31,265	(\$19,039)
Line of Credit	\$150,000	\$150,000	\$0

Cash by Month



Beyond Sales & Expenses

- **Accounts Receivable Collections**
 - Increase the time it takes for Patients or 3rd Parties to pay
- **Accounts Payable**
 - Decrease the frequency of vendor payments and pay bills in a smart manner





Questions?

Contact Information



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