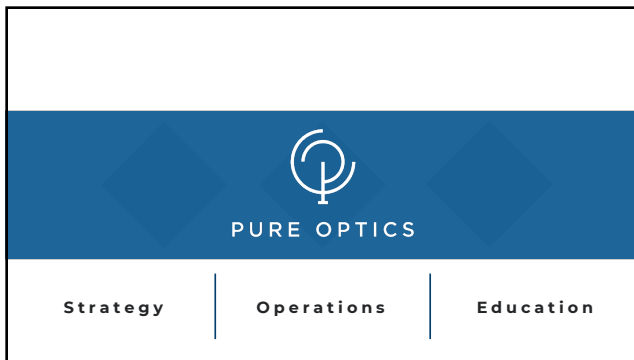
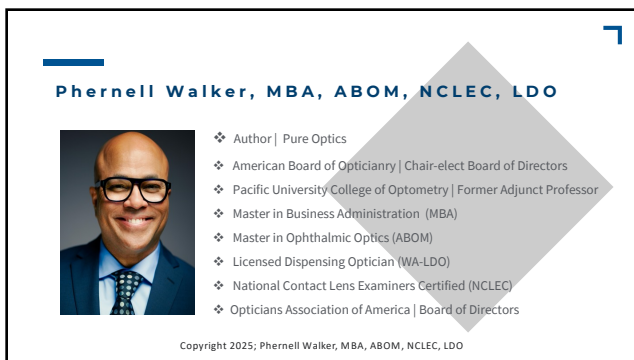


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Introduction

- A plan is important, but operational readiness is crucial for success.
- Resource production processes, resource allocation, and quality management specific to optometric practices.
- Monitor and evaluate the implementation of your strategic plan, making necessary adjustments and improvements to drive continuous growth.
- Gain insights into effectively communicating your strategic plan to stakeholders, including employees, investors, and partners.

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Financial Terminology

Financial Statements use specific terms to identify performance.

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Revenue



First line on the P&L statement represents the company's total revenue or sales.




It includes all the income generated from the sale of goods or services during the specified period.


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Cost of Goods Sold (COGS)



DIRECT
PRODUCT COSTS





INCLUDES RAW
MATERIALS COSTS

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Gross Profit


 Difference between revenue and the cost of goods sold.


 Money left after deducting the direct costs of producing or purchasing the goods or services.

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Operating Expenses


 Expenses incurred in running the day-to-day operations

 Salaries and wages, rent, utilities, marketing expenses, insurance, and office supplies.


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Operating Income



Difference between gross profit and operating expenses.





Profit from core operations before non-operating items.

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Non-Operating Income and Expenses


 Income or expenses that are not directly related to the core operations of the business.


 Includes interest income, gains or losses from the sale of assets, or any other non-operating income or expenses.


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Net Income

 Bottom line or profit

 Final amount of income earned by the company after considering all revenues, expenses, gains, and losses.

 Represents the overall profitability of the business.




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Budget for Debt Obligations





Short-term debt < 1 year Long-term debt > 1 year Percentage of Revenue

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Debt or Investment



Debt - amount of money borrowed from another party. Financial obligation repaid over a specific period, usually with interest.

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Investment Debt



Borrowing money to invest in assets or ventures with the expectation of generating a return on investment.



Debt is leveraged to earn a higher return on the investment (ROI) than the cost of borrowing.

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Decisions as an Owner



How much debt should you incur?



Should you depreciate assets?



What are the Financial vs. Tax implications

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Debt as a Financial Tool



Investment debt can be considered as a strategic financial tool



Allows businesses to access capital for investment



Carefully evaluate the potential risks and returns associated with the investment before taking on investment debt.

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Depreciation

Decrease in the value of an asset over time due to wear and tear, obsolescence, or other factors.

It is a concept commonly used in accounting and finance to allocate the cost of an asset over its useful life.

Assets are expected to gradually lose value as they are used or become outdated. Depreciation allows businesses to spread the cost of acquiring these assets over their estimated useful lives.

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Anything Measured Improves

What Key Performance Indicators (KPIs) do you currently track?

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KPI Cadence

How often are KPIs reviewed and analyzed in your business?


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KPI Actionable

Are your KPIs:

- Measurable?
- Actionable?
- Relevant?
- Leading Indicators?
- Lagging Indicators?



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Team Buy-In


How do you communicate KPIs and performance data to your team?

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KPI Drivers

Stack rank your KPIs



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KPI Relevance

Are there any KPIs that need to be retired or replaced?

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Setting Targets

How do you set targets and benchmarks for your KPIs?

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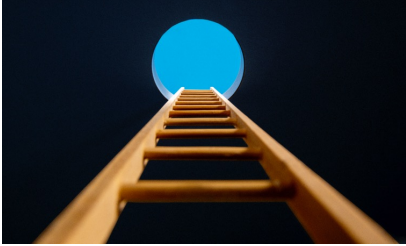
Team Involvement

Do you involve employees in setting and tracking KPIs?

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How do you ensure KPIs align with the business strategy?



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KPI External Factors

Are there any external factors that impact your KPI performance?

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KPI Effectiveness

How do you measure the effectiveness of your KPI tracking and analysis processes?

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KPI Validation

Which KPI data sources require improvement or validation at your practice?

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KPI Deviations

How do you address deviations or variances in KPI performance?

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Forecast the Future Using Leading Indicators



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Evolving Conditions

How do you ensure KPIs remain relevant and meaningful as business conditions evolve?

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New Performance KPI's

What metrics or KPIs do you plan to introduce or explore to enhance performance tracking.

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Income Statements

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Pure Optics Eye Care	
Camas, WA	
Profit and Loss	
January - June 2023	
Accrual Basis	Total
Income	
Billing Adjustments	(335,930.19)
Gross Receipts	3.00
Contact Lens	86,522.94
Exams	418,069.80
Frames	174,775.93
Lab Lens	376,629.93
Other Fees	2,780.51
Total Gross Receipts	1,062,718.11
Returns & Allowances	(15,313.94)
Total Income	221,477.42
Cost of Goods Sold	
Accessories	1,250.03
Billing Services	324.15
CL Contact Lens	34,370.54
Clinic Supplies	2,071.67
Equipment Lease	14,824.00
Frames	75,339.83
Lab Costs	69,872.33
Total Cost of Goods Sold	198,922.15
Gross Profit	62,555.27

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Expenses	
Advertising	5,049.35
Bank Fees	10,786.05
Dues & Subscriptions	7,071.39
Employee Benefits	0.00
Health Insurance	11,928.37
Pension	4,375.33
Total Employee Benefits	16,303.70
Janitorial	3,025.00
Licenses & Permits	60.00
Office Expense	5,160.04
Payroll Expenses	0.00
Payroll Taxes	21,559.67
(Camas only) Wages	41,250.00
Staff Wages	213,850.21
Total Payroll Expenses	276,660.08
Rent	30,107.00
Repairs & Maint.	1,836.50
Taxes	0.00
Personal Property	951.84

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Pure Optics Eye Care	
Camas, WA	
Profit and Loss	
January - June 2023	
Accrual Basis	Total
Total Taxes	
Telephone	951.84
Utilities	5,094.17
Administrative Exp	2,382.77
Allocation	50,536.61
Total Expenses	415,014.90
Net Operating Income	107,534.77
Other Expenses	
Contributions	612.50
Total Other Expenses	612.50
Net Other Income	(612.50)
Net Income	106,922.27

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Calculations

$$\text{COGS} / \text{R} = \%$$

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Calculations

Category	(COGS) Total \$	(R) Revenue	Percentage
Frames	\$	\$	%
Lab	\$	\$	%
Contact Lenses	\$	\$	%
Wages	\$	\$	%

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Optometric Practice Debt

Understanding and planning debt is an important aspect of every optometric practice.

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Essential Factors of Debt

1. Debt Coverage Ratio (DCR)
2. Debt Allocation Ratio

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Optometric Practice Solvency

How well can your practice pay its bills?

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Optometric Practice Solvency

$DAR = \text{Total Annual Debt Payments (P+I)} / \text{Total Practice Revenue}$

- **Total Annual Debt Payments (P+I)** - sum of all principal and interest payments due on the practice's loans in a year
- **Total Practice Revenue** - total gross revenue generated in a year

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Optometric Practice Solvency

$$\text{DCR} = \text{Net Operating Income} / \text{Total Debt Service}$$

- Debt Coverage Ratio (DCR) – higher is better
- Net Operating Income (NOI) = Gross Income / Operating Expenses
- Total Debt Service (TDS) = Principal Payments + Interest Payments

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Questions

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