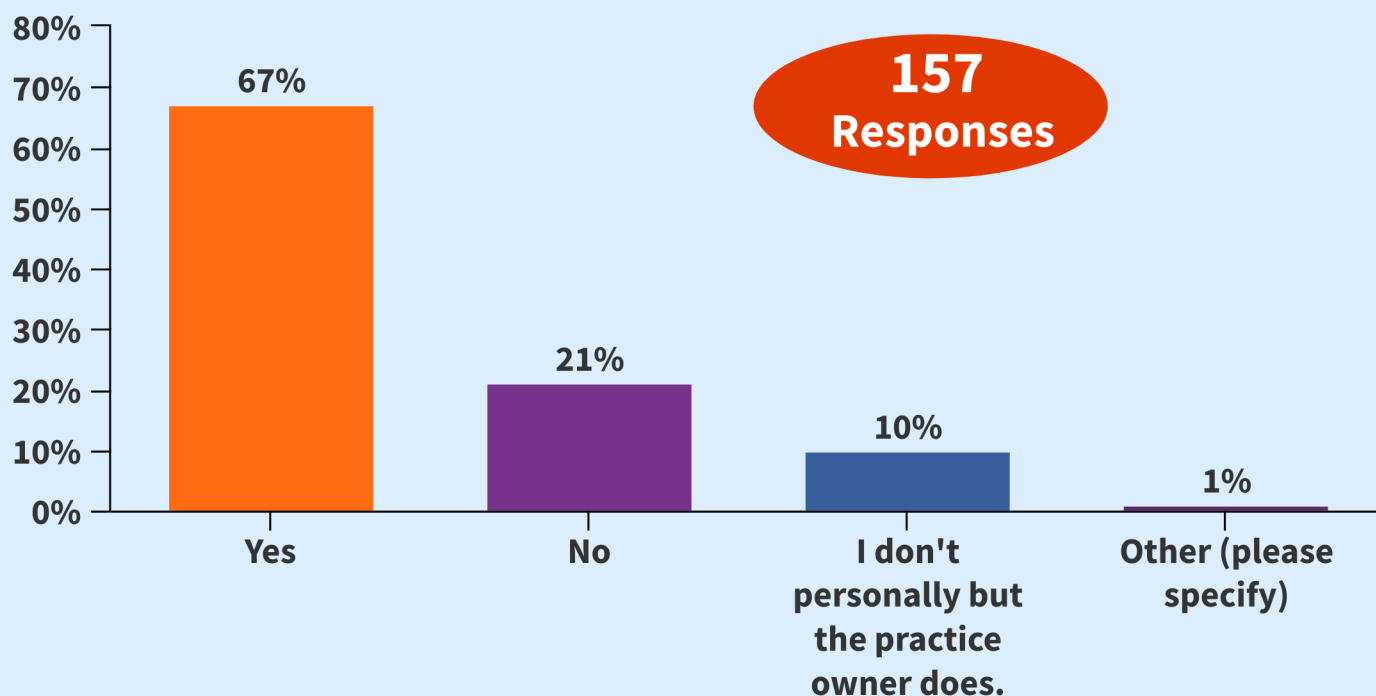
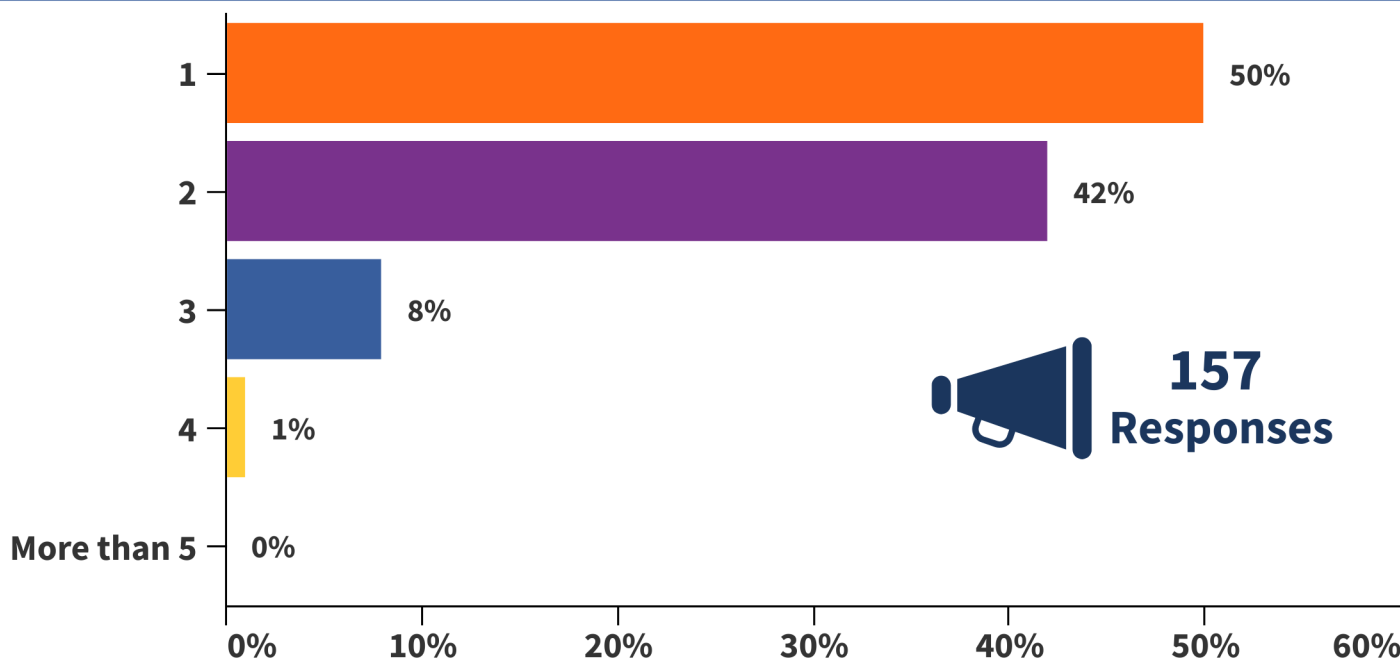


Banking and Money Management

Q#1 Do you have a working relationship with your local bank (do you have a direct contact or business account representative)?

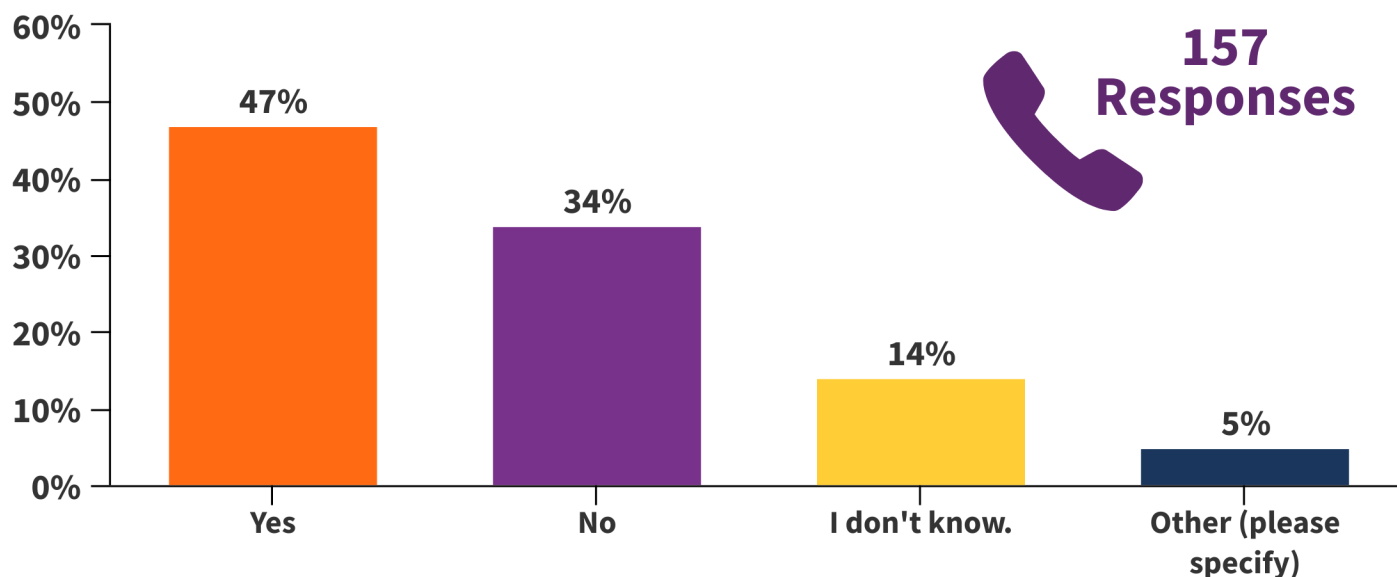


Q#2 How many banks does your practice have accounts in?

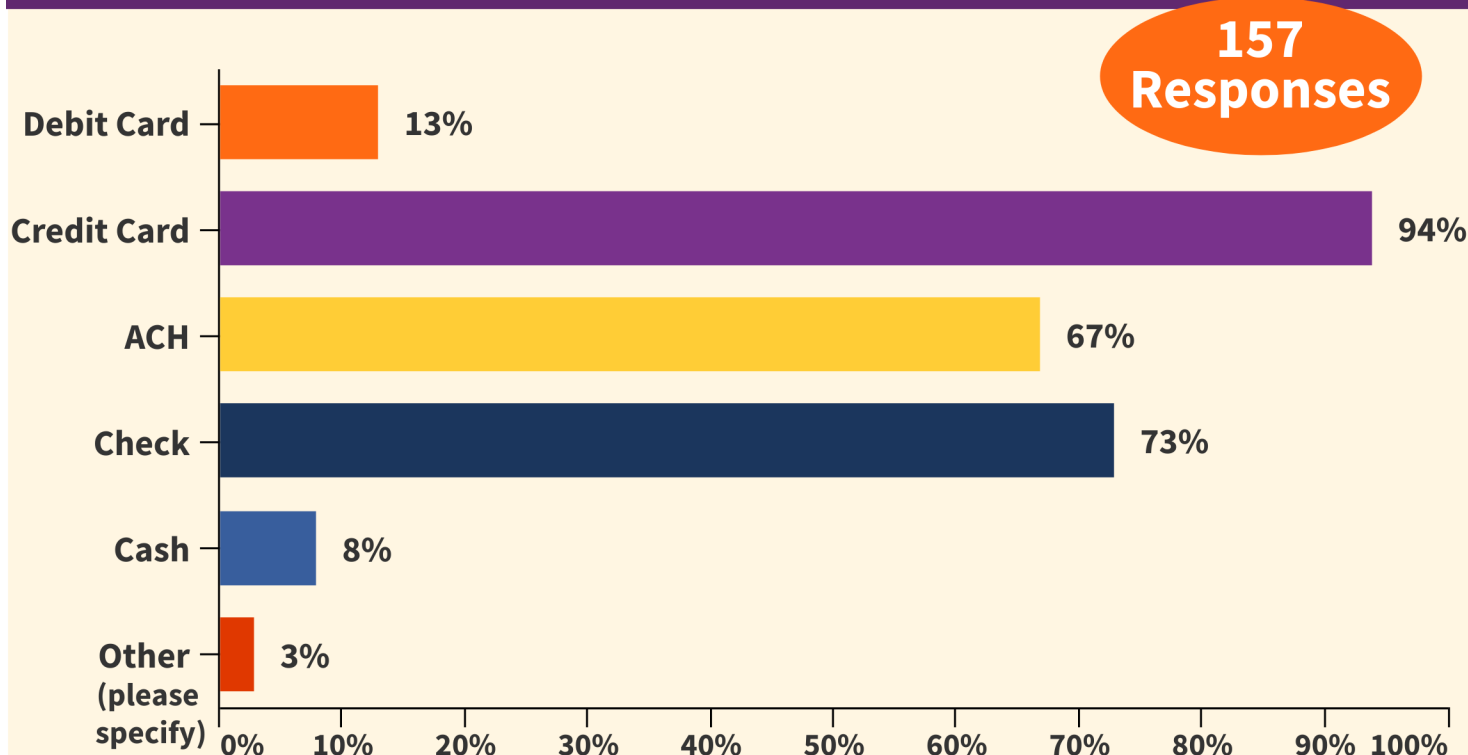


Banking and Money Management

Q#3 Does your practice have an approved line of credit or operating loan to be used as working capital?

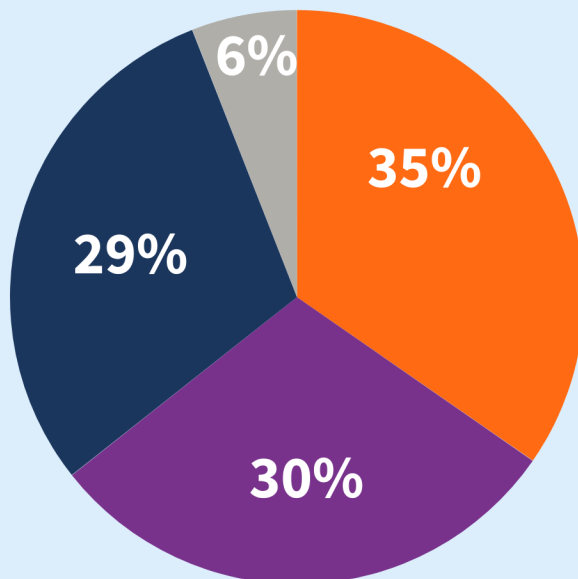


Q#4 How does your practice currently pay for daily operating expenses (supplies, etc.)? (check all that apply)



Banking and Money Management

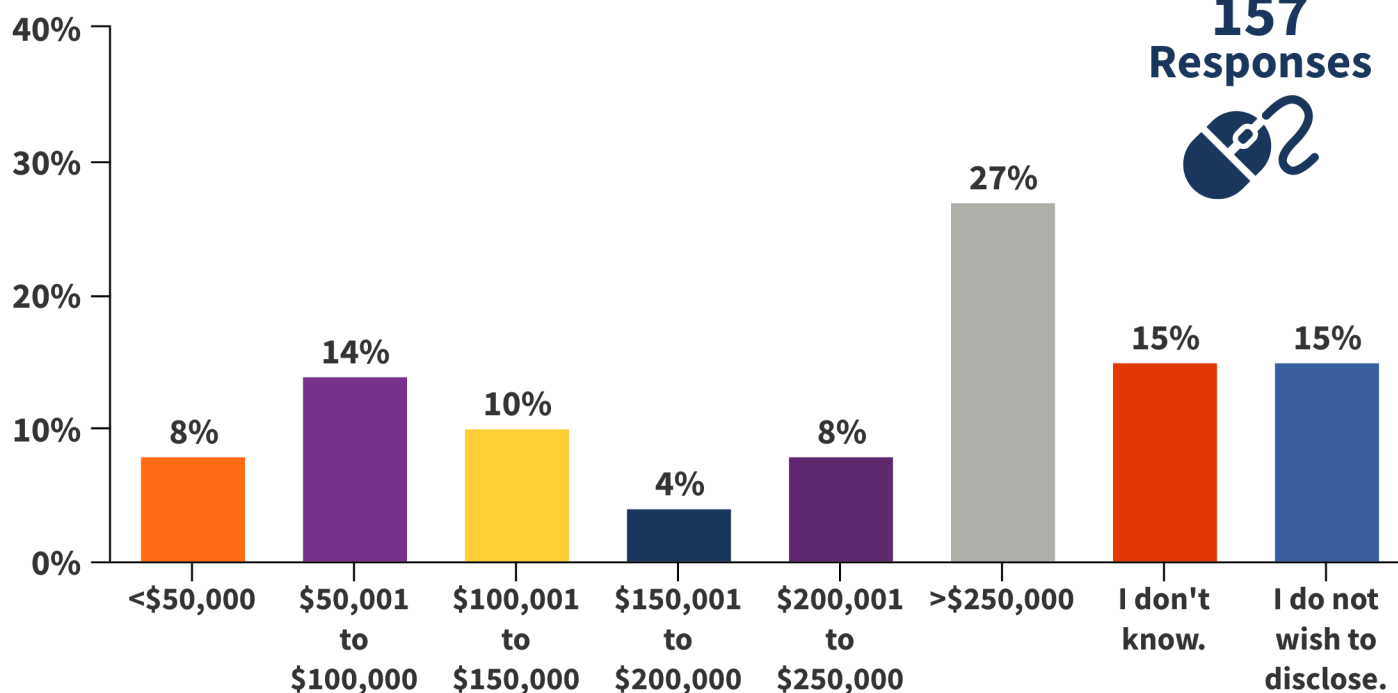
Q#5 Does your practice have a financial reserve policy?



156
Responses

Yes No I don't know. Other (please specify)

Q#6 On average, how much money is in your practice bank accounts at your primary bank?

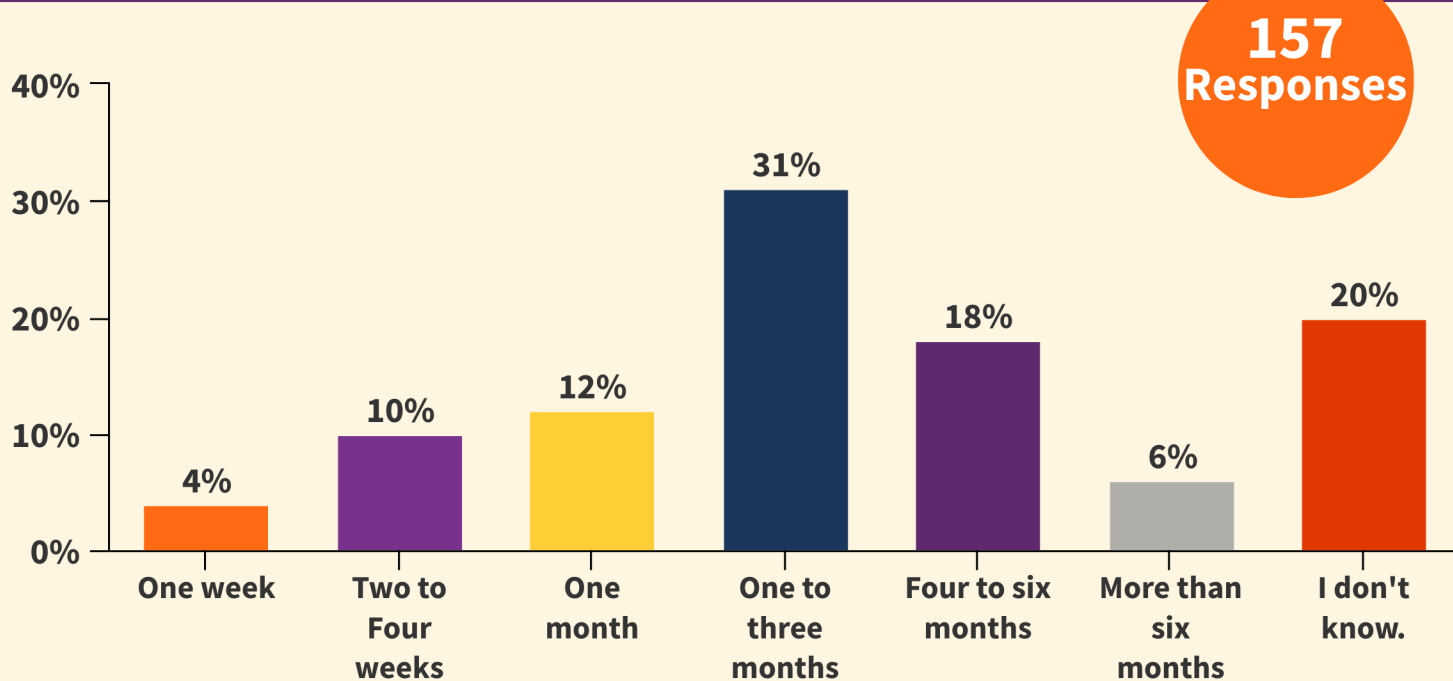


157
Responses

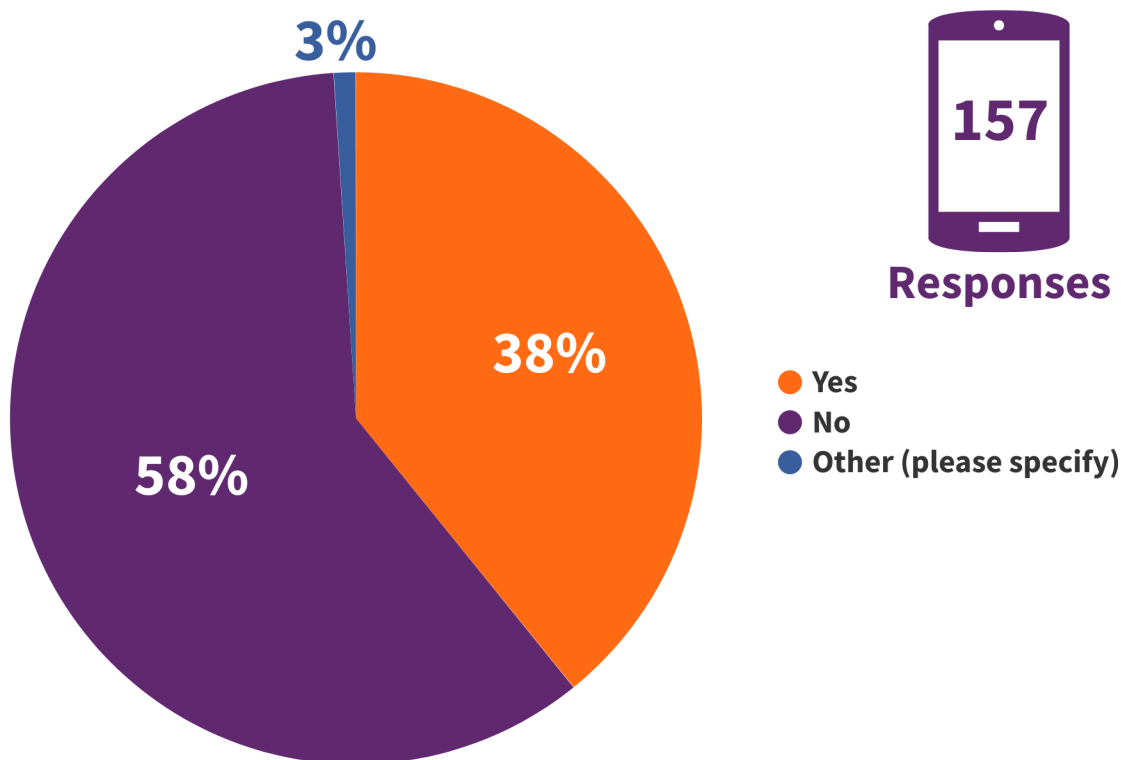


Banking and Money Management

Q#7 How long would your current cash reserves allow you to operate without revenue coming in?



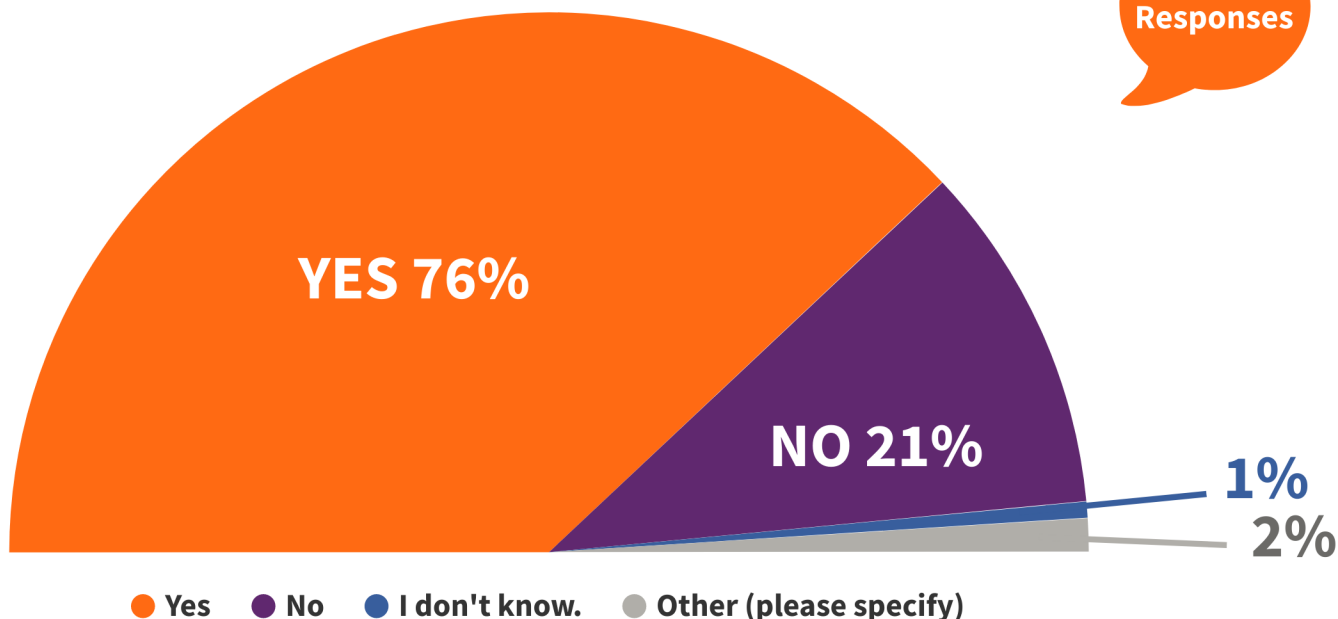
Q#8 Does your practice have a written budget?



Banking and Money Management

Q#9 Do you regularly review cash flow reports?

156
Responses



Q#10 Is the bank your practice accounts are in covered by FDIC deposit insurance or similar credit-union insurance?

90%
of practices
said YES.

10%
said they
did not
know.


157
Responses

No one answered NO.

Notable Facts and Figures

BANKING AND CASH FLOW ISSUES

The recent failure of Silicon Valley Bank and several others has driven many small businesses to take a look at their own banking and cash reserve policies and this month's VHMA survey covers these topics. Several of the questions had an option for "other" responses; answers for these are also shown below.

Question 3: Does your practice have an approved line of credit or operating loan to be used as working capital?

As can be seen in the graph above, not quite half of the practices responding have some kind of access to working capital if needed. This is always a good idea, especially during difficult economic times and if there is concern revenue may drop. Most of the "other" answers said the question didn't apply to them because they were corporate owned. A few mentioned that they had a line of credit in the past but don't now.

Question 4: How does your practice currently pay for daily operating expenses (supplies, etc.)? (Check all that apply.)

No surprise, the most common response is via credit card—have to keep getting those points or rewards! Many practices also use some form of ACH/bank payment system and/or good, old-fashioned checks. Most of the "other" answers were similar to the choices shown in the graph although several mentioned that their invoices were sent to the corporate headquarters for payment.

Question 5: Does your practice have a financial reserve policy?

"Other" answers included:

- The question doesn't apply at the individual practice level because corporate owned
- No formal policy but have a pre-determined amount of cash they always want to have in the bank
- One practice said they were currently working on such a policy

Question 9: Do you regularly review cash flow reports?

As seen in the graph above, the majority of practices review cash flow reports on a regular basis. This is clearly important because cash flow and net income or profits are very different things. "Other" answers included:

- Review done at the corporate level
- Review done by practice owner but manager not involved
- One practice said they are just getting started with setting a budget and reviewing cash flow

In most practices, there is a much greater risk of losing cash via poor management policies or internal theft than from a bank failure. This is true of all small businesses simply due to the lack of enough well-trained, financially oriented staff.

One particular area practices must focus on is the use of a cash basis budget.

Everyone talks about the importance of a budget, but few small businesses actually have one (just 38% of veterinary practices as noted above.) Budgeting, however dull or intimidating it may appear to be, is nonetheless an essential

Notable Facts and Figures (cont'd.)

tool for just about anything you plan to do within your hospital. And realistically, it's not as hard as it sounds. A budget, done well, forces a practice to plan and planning makes both medical/surgical and financial success possible. No doubt you have heard these sayings: "If you don't know where you're going, how will you know when you get there?" and "If you can't measure it, you can't manage it." These are both overused clichés, but things become clichés because they are true.

Budgeting is an essential planning tool for improving all aspects of hospital operations: the medical and surgical services offered by a practice, increasing revenue, estimating cash flow, setting fees, purchasing equipment, analyzing expenses, monitoring cash flows and specifying operational changes.

Besides providing this very specific financial data, a budget forces planning, which helps in the early identification of problems, in determining why circumstances might be expected to change in the future, and what could be done about it. Using a budget as part of the equipment purchase decision process also helps see how this change will impact the practice as a whole. Budgeting is also an excellent way to communicate goals to the entire hospital staff, and to ensure that these goals are coordinated.

For most practices, the most useful thing to do is prepare the budget on a cash flow basis; this will capture not only revenue and other cash inflows as well as operating expenses of the practice and other cash outflows such as loan payments and equipment purchases.

Even when we are not in a recession, lack of cash is the primary reason businesses fail. And when times are good, business owners forget that business is cyclical, and times won't always be good. When times are good, practices need to be putting money aside for those rainy days. Understanding and managing cash flow decreases the likelihood of a practice being harmed by poor cash flow during good times or in challenging times. A practice with a high level of taxable income or profitability may be lulled into thinking all is well without recognizing how low the cash flow is because the practice is "using" the profits or taxable income to make debt payments or purchase large amounts of equipment.