



**MANAGEMENT  
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## Financial Management

**MONTHLY FINANCIAL REPORTS:** Income Statements, Balance Sheets, Cash Flow Statements, and Aged Inventory Reports are the basic tools used to monitor the financial health of your business. Income Statements depict the overall profitability of operations and are typically generated monthly with comparisons to budget and prior year. Balance Sheets are used to quantify Assets, Liabilities, and Owners Equity and offer insight to your financial health compared to prior periods. Cash Flow Statements are important in predicting how operating income, financing activities, and capital investments affect your cash on hand. Finally, Aged Inventory Reports are significant in that they provide a snapshot of the effectiveness of your billing and collection process.

Small business owners and sole practitioners may not have the time nor the expertise to develop, create, and analyze this information for themselves. If you are not currently producing and scrutinizing these financial reports on a monthly basis, you may be overlooking important information that should be used to manage your business and effectively plan for the future. Additionally, maintaining up-to-date financial reports will save time and money when dealing with banks, creditors, investors, and tax professionals.

T2 will work with your current financial system or help you implement a new one to make it easier for these reports to be generated. We are happy either to create and review them for you each month or train you or your support staff to do so. You don't have to be a big business to manage your finances like one!

**RATE/FEE ANALYSIS:** Rate or fee setting in the professional service world can be complicated. You want to make sure to maximize income without pricing yourself out of the market. However, if you work with insurance companies you must follow billing rules and accept the fees that have been agreed to contractually. It would be best to evaluate your pricing structure on a regular basis by comparing it to insurance reimbursement rates, competitor fees, and cost of services sold. But using your valuable time to gather and evaluate all this data may not be cost effective.

The tools and processes used to complete a rate or fee analysis vary depending on your area of practice. For healthcare providers, the process includes looking at insurance reimbursement rates and making sure the practice is not losing money due to invalid coding or under-charging. For providers that live by the billable hour, creating a plan for regular rate increases or evaluating the effectiveness of recovering hard and soft costs should be examined. After identifying opportunities to increase income, T2 can also facilitate the process of implementing the necessary changes with your staff and billing system.

**EXPENSE ANALYSIS:** Busy professionals often wonder why more of their hard-earned income is not going home with them. They want to know if the cost of running their business is in-line with industry norms. Whether you manage payables yourself or have a staff member doing so, it is helpful to have an outsider's perspective. With years of experience in budgeting and analyzing expenses, T2 can provide that external perspective. We can analyze each expense category, determine if your distributable net income is comparable to others in the field, and help you take the steps to achieve savings.

**PRODUCTIVITY, CONTRIBUTION MARGINS & PROFITABILITY ANALYSIS:** For professional service providers, productivity and profitability are often confused and hard to define. Basically speaking, a provider's productivity is the amount of gross income that is generated. A contribution margin is productivity less direct expenses. Finally, profitability equals contribution margin less allocated overhead, which represents owner's wages and benefits. The methods employed to calculate these measures vary depending on owner purpose and perspective.

T2 consultants will first seek to understand your organizational structure and the purpose for which these indicators will be used. The next step is to collect the data, which may be a challenge if the proper records have not been maintained. Experience has provided us with variety of tricks that can be used to obtain and manipulate data in a way that will efficiently provide insight into how you can boost your bottom line.

**FINANCIAL DASHBOARDS:** Successful business owners monitor key financial trends in order to keep their organizations on track. The indicators vary depending on the practice, but normally include inventory turnover, net income, collection rate, and productivity. However, this information is often located in multiple reports or systems, in various formats, without prior year or budget comparisons.

Our consultants are experienced in identifying key indicators, determining how best to access the required information, and designing one-page summaries using both numbers and graphics. We will work with you to customize and implement a meaningful dashboard that you or your staff can quickly create on a regular basis. In addition, we will assure that you understand how to interpret each indicator so you don't miss the warning signs. If you'd rather, we will produce the reports and interpret them for you. As a result, you will have a finger on the pulse of your practice at all times.

**BUDGETING and FORECASTING:** Practice owners typically draw a salary during the fiscal year and then distribute the remaining net income at year-end. This can be a stressful process without a guide to keep you on track. We can create a monthly budget that models operating income and expenses throughout the year. Regular comparison reports will help monitor whether you are on target to meet goals and allow us to forecast annual net income. T2 consultants have years of experience in building accurate budget models. Let us help reduce your year-end stress and square up your business.

**CASH FLOW CONTROL:** In the professional service business, operating cash-in is not always enough to cover cash-out. In addition, you may need to finance capital investments in equipment or technology. Many owners spend too much valuable time on cash management and too much money on interest.

Don't waste another minute. Contact T2 to help forecast and manage your cash flow. Our cash control models are clear and concise and will help you understand how to manage your bank and credit account. No more worries about "meeting payroll!" We can also help you set up sensible financing arrangements for both operating cash and capital acquisitions.