Running Your Veterinary Practice Like a CFO

- Cash Flow • Profitability • Financial Forecasting

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Why Financial Clarity Matters

- Better decisions, less stress, more control.

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What Thinking Like a CFO Means

- Strategic mindset + financial fluency + action.

How Most Vets Manage Today

- Reactive, statement-based, minimal forecasting.

The Gap: Tactical vs. Strategic

- Shift from day-to-day & rear-view mirror driving
- To future-focused insights.
- Actionable Intelligence – Impactful Decisions

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Three Primary CFO Tools

- 1. Key Metrics (KPI's)

- 2. Forecasting

- 3. Actionable Insights

Intro to KPIs
Key Performance Indicators

- What you measure, you manage.

- What Gets Measured Gets Done.

Intro to KPIs
Key Performance Indicators

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Intro to KPIs
Key Performance Indicators

- Revenue Per DVM
- Average Client Transaction
- Payroll % of Revenue
- Operating Profit Margin

KPI #1: Revenue per DVM

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KPI #1: Revenue per DVM

STEP 1: Choose the Time Period

- Recommended: **12-month trailing** or **YTD**
- For ongoing tracking: **monthly and rolling quarterly**

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KPI #1: Revenue per DVM

STEP 2: Determine Total Gross Revenue

Pull the **gross revenue** for the practice from your:

- **Practice Information Management (PIM) software** (e.g., Cornerstone, AVImark, ezyVet)
- or **Accounting system** (e.g., QuickBooks Online)

📌 Make sure to **exclude refunds, returns, and non-operating income** for an accurate total

KPI #1: Revenue per DVM

STEP 3: Identify Full-Time Equivalent (FTE) DVMs

Determine the number of **FTE doctors** working in the practice.

📘 **FTE Calculation:**

- 1.0 FTE = **40 hours/week**
- Two part-time vets working 20 hours/week = 1.0 FTE

✅ **Count only clinical doctors** actively generating revenue.

> ⚠️ Be cautious not to count relief vets or non-clinical managers unless they produce billable services.

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KPI #1: Revenue per DVM

STEP 4: Calculate Revenue per DVM

$$\text{Revenue per DVM} = \frac{\text{Gross Revenue}}{\text{FTE DVMs}}$$

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KPI #1: Revenue per DVM

📘 **Example:**

- Gross Revenue: $1,800,000
- FTE DVMs: 2.5
- Revenue per DVM = $1,800,000 ÷ 2.5 = **$720,000 per DVM**

KPI #1: Revenue per DVM

STEP 5: Compare to Industry Benchmarks

Practice Type	Target Revenue per DVM
General Practice (small animal)	$550K – $750K
High-performing practices	$800K – $1M+
Specialty/Referral practices	$1.2M+

KPI #1: Revenue per DVM

📍 **Benchmarks are based on:**

- AAHA Financial & Productivity Pulsepoints
- VetSuccess & IDEXX data
- VMG (Veterinary Management Groups)

> 📌 *In the Great Lakes region, practices with Revenue per DVM above $700K are often outperforming peers.*

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KPI #1: Revenue per DVM

STEP 6: Track Monthly or Quarterly

Use a spreadsheet or KPI dashboard like this:

Month	Gross Revenue	FTE DVMs	Revenue per DVM
Jan	$145,000	2.0	$72,500
Feb	$130,000	2.0	$65,000
Mar	$160,000	2.2	$72,727

KPI #1: Revenue per DVM

STEP 7: Interpret & Take Action

If Revenue per DVM is **below benchmark**:

- Assess **appointment volume per vet**
- Check for **underutilization** of appointment blocks or doctor time
- Improve **support staff utilization** to free up DVM focus
- Re-evaluate **pricing and service mix**
- Train staff on **client education and compliance** to drive more comprehensive care

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KPI #2: ACT – Avg Client Transaction

KPI #2: ACT – Avg Client Transaction

Step-by-Step Process to Determine Average Client Transaction (ACT):

1. Define the Time Period for Analysis. Choose the time frame to calculate ACT (e.g., monthly, quarterly, or annually).

- For most financial assessments, a 12-month rolling average or year-to-date value provides the clearest picture.

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KPI #2: ACT – Avg Client Transaction

2. Extract Total Revenue from PIM software, run a report that shows:

- Gross revenue generated in the selected period
- Make sure it includes only client transactions, not refunds, inventory transfers, or internal charges

📌 Example Report Names:

- "Sales by Date"
- "Invoice Revenue Summary"

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KPI #2: ACT – Avg Client Transaction

3. Extract Total Number of Transactions

Pull a report showing the **total number of client invoices or visits** for the same period.

Be cautious:

- Ensure the number reflects **distinct invoice entries** (not duplicate charges per client or internal/test invoices).
- Sometimes labeled as:
  - "Invoices by Date"
  - "Client Visit Summary"

KPI #2: ACT – Avg Client Transaction

4. Calculate Average Client Transaction

$$\frac{\text{Total Gross Revenue}}{\text{Total Number of Invoices or Visits}}$$

📌 **Example:**

- Gross Revenue: $1,200,000
- Total Client Visits/Invoices: 9,600
- ACT = $1,200,000 ÷ 9,600 = **$125 per transaction**

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KPI #2: ACT – Avg Client Transaction

7. Benchmark and Track Trends

Compare ACT to:

- Past performance (month-over-month, year-over-year)
- Industry benchmarks (typically **$135–$175** per transaction for general small animal practices, but varies by region and service mix)
- (Great Lakes avg: $150–160)
- Target ACT to help monitor **pricing strategy, bundling effectiveness, and client compliance**

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KPI #3: Payroll % of Revenue

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KPI #3: Payroll % of Revenue

STEP 1: Define the Period for Measurement

Decide if you're measuring payroll monthly, quarterly, or annually.

- **Best practice:** Track **monthly and YTD** to monitor trends.
- Align with your financial statement/reporting cadence.

KPI #3: Payroll % of Revenue

STEP 2: Gather Total Payroll Costs

You'll need:

- **Gross Wages** for all employees (DVMs, techs, assistants, reception, admin)
- **Payroll Taxes**
- **Employer-paid benefits** (health, retirement matches, etc.)
- **Bonuses or commissions**

KPI #3: Payroll % of Revenue

📌 **Where to get this:**

- From your **payroll provider** (e.g., Gusto, ADP, Paychex) → Run a **Payroll Summary Report** for the selected time frame.
- Or pull from **QuickBooks Online** (P&L > filter by Payroll Expense accounts)

📘 *Tip: Keep owner compensation separate for analysis. We'll address this in Step 7.*

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KPI #3: Payroll % of Revenue

STEP 3: Extract Gross Revenue

Run a **revenue report** from your Practice Information Management (PIM) software (AVImark, Cornerstone, etc.), or from your accounting system (e.g., QBO).

📌 Ensure it includes:

- **Client invoice revenue**
- **Retail sales**, if applicable
- **Exclude refunds, discounts**, and **non-operating income**

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KPI #3: Payroll % of Revenue

STEP 4: Calculate Payroll % of Revenue

Use the formula:

$$\text{Payroll \% of Revenue} = \left(\frac{\text{Total Payroll Costs}}{\text{Gross Revenue}}\right) \times 100$$

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KPI #3: Payroll % of Revenue

📌 **Example:**

- Payroll Costs: $86,000
- Gross Revenue: $220,000
- Payroll % of Revenue = $\frac{86,000}{220,000} \times 100 = 39.1\%$

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KPI #3: Payroll % of Revenue

STEP 5: Benchmark Against Industry Standards

For the Great Lakes region, refer to:

- AAHA Financial & Productivity Pulsepoints
- VMG or VHMA benchmarking

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KPI #3: Payroll % of Revenue

- Industry norms for **small animal general practices** are:

Role	**% of Revenue Range**
DVM Compensation	18–22%
Support Staff	14–18%
Admin/Management	3–5%
Total Payroll	**35–45%**

KPI #3: Payroll % of Revenue

📘 *Note:*

Practices paying above 45% may struggle with profitability unless supported by high ACT or service margins.

KPI #3: Payroll % of Revenue

STEP 6: Build a Tracking System

Use a **monthly spreadsheet** or dashboard to track this over time.

Month	Payroll $	Revenue $	Payroll %
Jan	$85,000	$210,000	40.5%
Feb	$82,000	$195,000	42.1%
Mar	$90,000	$230,000	39.1%
...	...	...	...

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KPI #3: Payroll % of Revenue

STEP 7: Decide Whether to Include Owner Compensation

You can track this metric:

- With Owner Compensation (true total labor burden)
- Without Owner Compensation (to compare against industry averages)

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KPI #3: Payroll % of Revenue

🔎 **Recommendation:**

Track both.

Many industry benchmarks exclude owner comp for comparability.

KPI #3: Payroll % of Revenue

STEP 8: Monitor Trends and Take Action

Flag if:

- Payroll % is **creeping upward** month-to-month.
- You're above 45% for multiple periods without corresponding revenue growth.
- Staff raises or bonuses are planned without a productivity plan.

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KPI #4: Operating Profit Margin

KPI #4: Operating Profit Margin

📊 **What is Operating Profit Margin?**

KPI #4: Operating Profit Margin

$$\text{Operating Profit Margin} = \left(\frac{\text{Operating Income}}{\text{Total Revenue}}\right) \times 100$$

- **Operating Income** (also called EBIT) = Gross Revenue minus **Operating Expenses** (excluding interest, taxes, and owner distributions)
- This tells you how efficiently the practice turns revenue into profit from **core operations**

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KPI #4: Operating Profit Margin

✅ Step-by-Step Process

STEP 1: Choose a Time Period

Decide the timeframe you want to analyze:

- Monthly
- Quarterly
- Year-to-Date (YTD)
- 12-month rolling (recommended for smoothing seasonal shifts)

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KPI #4: Operating Profit Margin

STEP 2: Determine Gross Revenue

Pull **total revenue** from your:

- **PIM system** (e.g., AVImark, ezyVet, Cornerstone) or
- **Accounting software** (e.g., QuickBooks Online)

✔ Include:

- Client revenue from services, pharmacy, diagnostics, etc.
- Retail product sales (if any)

❌ Exclude:

- Refunds
- Returns
- Non-operating income (e.g., interest income, COVID grants)

KPI #4: Operating Profit Margin

STEP 3: Pull Operating Expenses

Use your **Profit & Loss (P&L)** statement to capture **total operating expenses**, including:

- Payroll (excluding owner compensation)
- Rent
- Medical supplies
- Utilities
- Insurance
- Marketing
- Professional fees
- Repairs & maintenance
- Other overhead

KPI #4: Operating Profit Margin

❌ **Exclude:**

- Depreciation/amortization (optional depending on benchmark source)
- Loan interest
- Taxes
- Owner compensation/distributions
- Non-recurring or extraordinary expenses

KPI #4: Operating Profit Margin

STEP 4: Calculate Operating Profit

$$\text{Operating Profit} = \text{Revenue} - \text{Operating Expenses}$$

KPI #4: Operating Profit Margin

STEP 5: Calculate Operating Profit Margin

$$\text{Operating Profit Margin} = \left(\frac{\text{Operating Profit}}{\text{Revenue}}\right) \times 100$$

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KPI #4: Operating Profit Margin

Example:

- Gross Revenue: $1,200,000
- Operating Expenses: $960,000
- Operating Profit = $240,000
- OPM = $\frac{240{,}000}{1{,}200{,}000} \times 100 = \mathbf{20\%}$

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KPI #4: Operating Profit Margin

STEP 6: Benchmark to Industry Standards

Practice Type	Operating Profit Margin Benchmark
General Practice	12% – 18%
High-Performing Practices	20% – 25%+
Corporate-Run Practices	22% – 28%+
Specialty Practices	25% – 30%+

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KPI #4: Operating Profit Margin

📌 These benchmarks **exclude owner comp** and **extraordinary expenses.**

📍 Sources:

- **AAHA Pulsepoints**
- **VMG**
- **VetSuccess & Benchmarks 360**
- **IDEXX Cornerstone study data**

KPI #4: Operating Profit Margin

STEP 7: Track Regularly and Trend Over Time

Create a dashboard or spreadsheet like this:

Month	Revenue	Op. Expenses	Op. Profit	OPM %
Jan	$100,000	$82,000	$18,000	18%
Feb	$95,000	$78,000	$17,000	17.9%
Mar	$120,000	$90,000	$30,000	25%
Q1 Avg	$105,000	$83,333	$21,667	20.6%

KPI #4: Operating Profit Margin

STEP 8: Use Insights to Guide Strategic Decisions

If OPM is **below 15%**:

- Evaluate cost controls (staffing, COGS, rent)
- Review pricing strategy
- Optimize staff utilization and workflows
- Consider increasing ACT or client compliance

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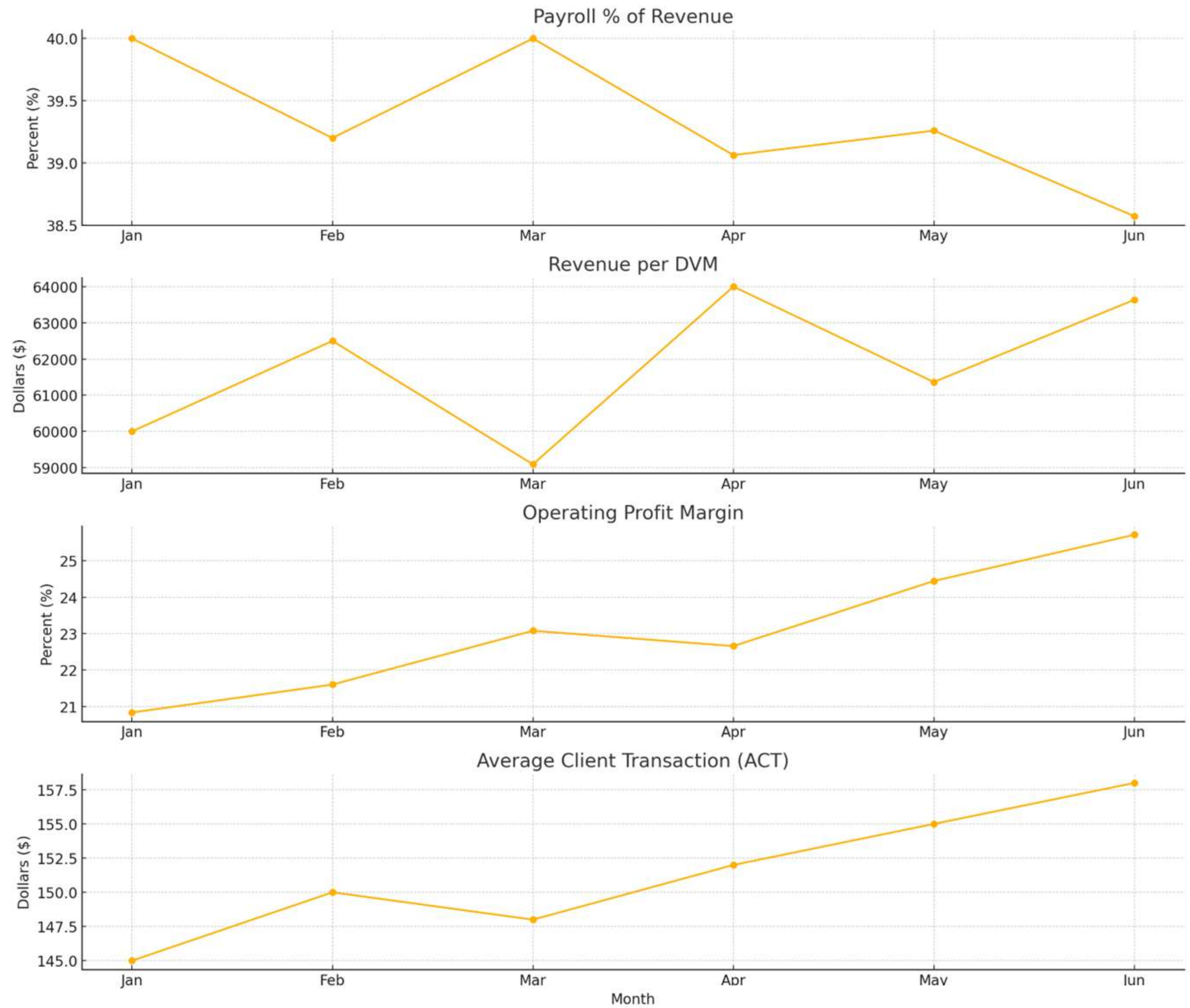
Monthly KPI Dashboard

- Simple visuals track progress & trends.



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Tracking KPI Trends

- Compare month-to-month, quarter-to-quarter.
- Excel, dashboard software, or PIMS exports.

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Cash Flow Forecasting

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Cash Flow Forecasting

- Why Cash Flow is King
  - Profit ≠ cash. Cash pays the bills.
- Timing Mismatched
  - Revenue and expenses rarely align.
- Seasonality
  - Expect and plan for slow periods.
- Hidden Cash Flow Killers
  - Inventory, late A/R, or unbilled servic

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The Cost of Operating Blind

- Cash surprises create panic & poor decisions.

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Cash Crunch Signals

- Watch weekly balances, credit card usage, delayed bills.

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Forecast Before You’re Desperate

- Planning ahead beats reacting under pressure.

What Is a 13-Week Forecast?

- Weekly snapshot of future cash ins and outs.

Why It Works

- Builds confidence, improves timing, lowers stress.

Inputs You Need

- A/R, sales, rent, payroll, recurring bills.

Building It
(Live Walkthrough)

13-Week Cash Flow Forecast

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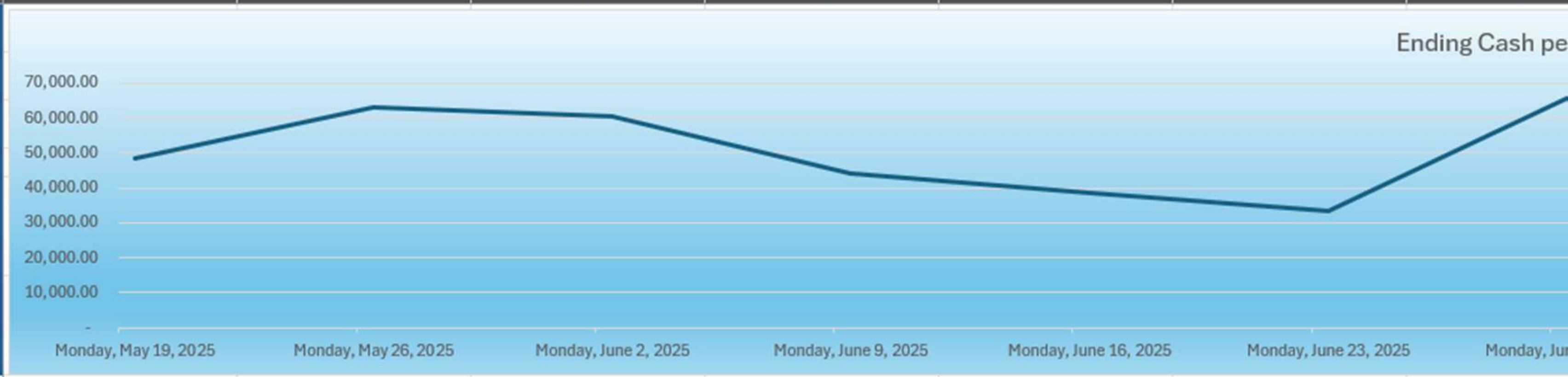
13-Week Cash Projection Report



A	B	C	D	E	F	G	H
Week Starting:	**Monday, May 19, 2025**	**Monday, May 26, 2025**	**Monday, June 2, 2025**	**Monday, June 9, 2025**	**Monday, June 16, 2025**	**Monday, June 23, 2025**	**Monday, June**
Beginning Cash per Books	$ 17,895.00	$ 48,395.00	$ 63,058.12	$ 60,327.12	$ 44,023.94	$ 38,523.94	$ 33,
Cash In:							
Sales Deposits	50,000.00	27,500.00	37,000.00	13,000.00	14,000.00	-	52,
LOC Draws / Loan Proceeds							
Other Cash In							
Total Cash In	50,000.00	27,500.00	37,000.00	13,000.00	14,000.00	-	52,
Cash Available to Spend	67,895.00	75,895.00	100,058.12	73,327.12	58,023.94	38,523.94	85,
Cash Out:							
Payroll	16,000.00	-	19,000.00	-	19,000.00		19,
COGS	-	-	-	-	-		
Postage	-	-	-	-	-		

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Case Example

- Practice forecasts shortfall before payroll.

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Flagging Negative Weeks

- Use colors and notes to manage attention.

Weekly Use

- Update each week, adjust for reality.

CFO Toolkit

- Forecast + KPI = Financial radar.

Template Access

- Email John@Jsanchezcpa.com for 13-Week Cash Flow Forecasting template.

Start Monday Morning

- Pick 1 KPI, start a 13-week forecast.

Overcoming Barriers

- Lack of time?
- Fear of numbers?
- Not knowing where to start.

Pre-Prepared Q&A

- Healthy margin?
- How much reserve?
- How to forecast? Who to task?

Final Thought

- You don't need to be a CFO—just think like one.

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