



Homecare  
Cooperative  
Initiative  
A Project of **CDF**

# Home Care Financials:

*An introduction or refresher for boards and members*

*Margaret Lund*

*Home Care Cooperative Conference*

*February 22, 2021*

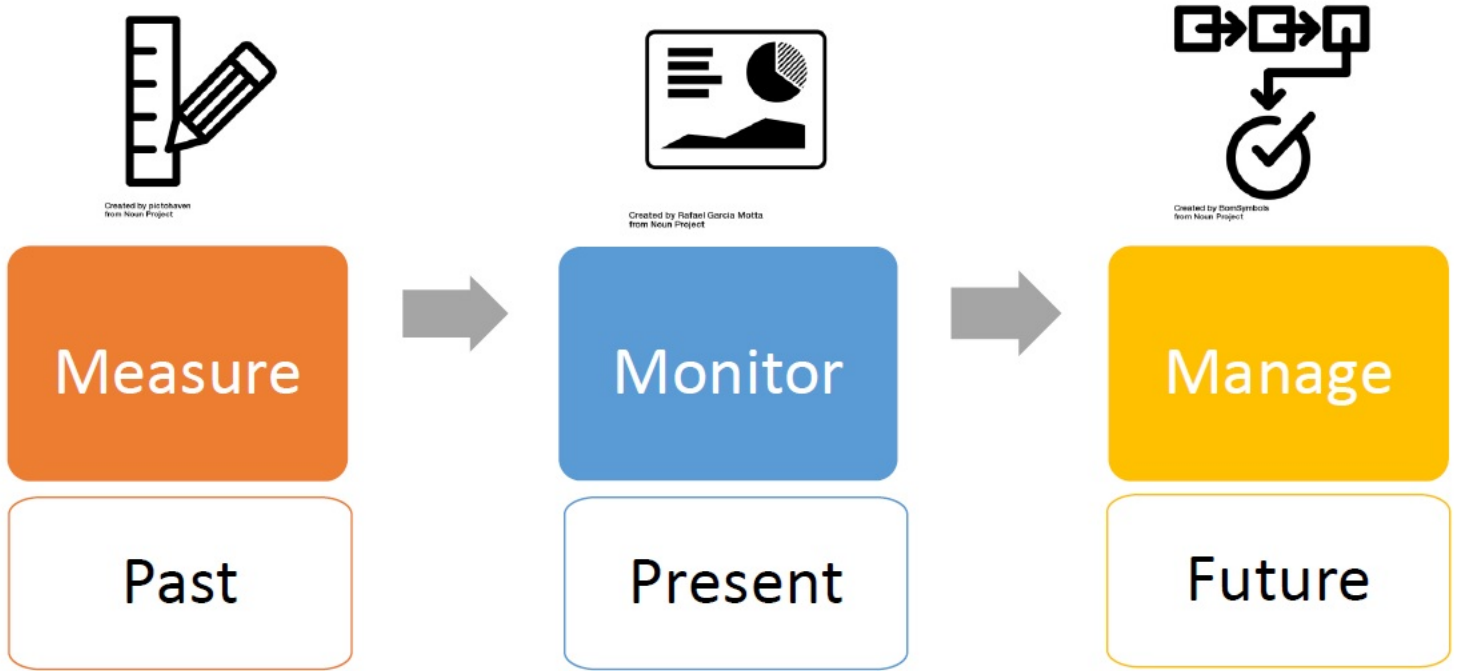
# What are we going to be doing here?

- Learn/review key terms, concepts
- Go over responsibilities of board members
- Discuss how to track and measure financial goals (or other goals, using financial data)



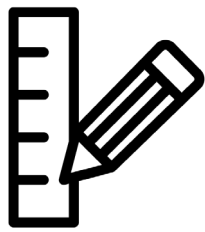
Homecare  
Cooperative  
Initiative  
A Project of CDF

# A Useful Framework . . . *These are all board responsibilities . .*





Homecare  
Cooperative  
Initiative  
A Project of **CDF**



Created by pictohaven  
from Noun Project

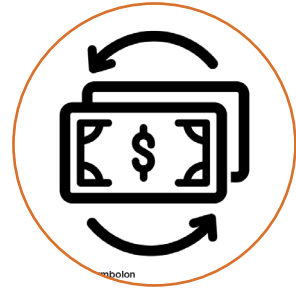
Measure




Income Statement



Balance Sheet



Cashflow



Income  
Statement

## Sample Homecare Income Statement

2018

Revenue	1,015,000
Total Cost of Good Sold (COGS)	<u>758,400</u>
Gross Margin	256,600
Operating Expenses	<u>198,395</u>
Net Ordinary Income before taxes	<u>58,205</u>
Other Income/Expense	
Net Income before taxes	<u><u>\$58,205</u></u>

Income Statement:  
Revenue &  
COGS

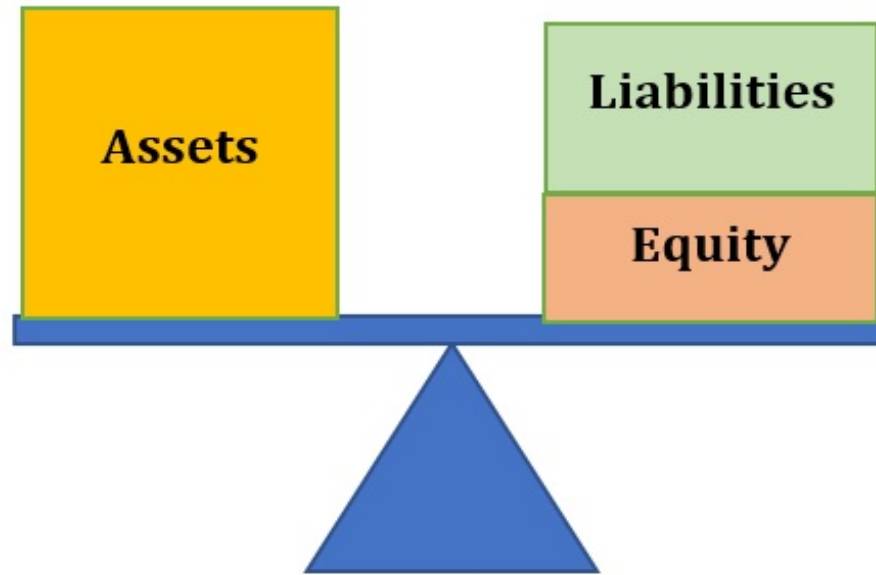
**Sample Homecare Income Statement 2018**

Income	
Caregiving Services - Public pay	\$ 200,000
Caregiving Services - Private pay	\$ 800,000
Billable mileage	\$ 15,000
Total Income:	\$1,015,000
Cost of Goods Sold	
Payroll expenses - caregiving	\$ 630,000
Payroll taxes	\$ 59,850
Paid Time off	\$ 12,000
Employee health insurance	\$ -
Supplies, caregiving	\$ 800
Other Fringe	\$ 15,750
Mileage	\$ 40,000
Total COGS	\$ 758,400
Gross Margin	\$ 256,600

Income  
Statement:  
Operating  
Expenses

Operating Expenses	
Bad debt	\$ 55
Bank fees	\$ 850
Board expenses	\$ 2,350
Employee records, screening	\$ 2,200
Furniture	\$ 250
Insurance, liability & Property	\$ 12,000
Interest	\$ 3,500
Licesnses and Permits	\$ 1,925
Marketing	\$ 20,000
Miscellaneous	\$ 1,000
Office Supplies	\$ 1,200
Payroll - administration	\$ 100,000
FICA/FUTA/SUTA - administration	\$ 9,500
Postage	\$ 340
Professional Services	\$ 7,600
Recruitment	\$ 10,200
Rent	\$ 12,000
Repair and maintenance	\$ 125
Software	\$ 1,200
Supplies	\$ 3,300
Telephone/Internet	\$ 2,400
Training	\$ 2,500
Utilties	\$ 2,400
Workers Compensation	\$ 1,500
Total Expense	<u>\$ 198,395</u>
Net Ordinary Income before taxes	<u>\$ 58,205</u>
Other Income/Expense	\$ -
Net Income before taxes	<u>\$ 58,205</u>

Balance Sheet





# Balance Sheet

## Sample Homecare Cooperative Balance Sheet

12/31/2018

Current Assets	
Checking Account	\$ 45,000
Savings Account	\$ 22,000
Petty Cash	\$ 300
Total Cash	\$ 67,300
Accounts Receivable	\$ 77,480
Other current assets	\$ 900
Total Current Assets	\$ 145,680
Equipment	\$ 25,000
less depreciation	\$ (3,000)
Total Fixed Assets	\$ 22,000
Total Assets	\$ 167,680
Current Liabilities	
Payroll liabilities	\$ 28,375
Other liabilities	\$ 350
Current part LT debt	\$ 8,750
Total Current Liabilities	\$ 37,475
Long term debt - bank loan	\$ 27,000
Line of credit	\$ 4,500
Total Liabilities	\$ 68,975
Equity	
Member common stock	\$ 15,000
Patronage retained	\$ 12,000
Net Income	\$ 58,205
Retained earnings	\$ 13,500
Total Equity	\$ 98,705
Total Equity and Liabilities	\$ 167,680

*Assets = Liabilities + Equity*

$167,680 = 68,975 + 98,705$



Cashflow

***Important Point:***

Income does not equal cash – cash has to be tracked separately




# Cashflow

## Sample Cashflow Statement

2018

Cashflow from Operations	
Net Income	58,205
Additions to Cash	
Depreciation	3,000
Interest	3,500
Subtractions from Cash	
Increase in A/R	(25,000)
Decrease in A/P	(10,500)
Increase in prepaid expenses	(2,655)
Total Change in Working Capital	(31,655)
<hr/>	
Net Cash flow from Operations	26,550
<hr/>	
New Member Equity	
Cashflow From Investing Activities	5,000
<hr/>	
Cashflow from Financing Activities	
Initial Loan	47,300
Loan Payments (debt service)	(11,550)
Net Cashflow from Financing Activities	35,750
<hr/>	
Net Change in Cash	67,300
Ending Cash Balance	67,300

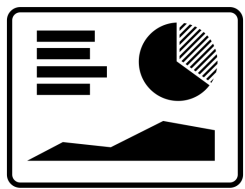
Cashflow:  
Cash vs.  
Accrual

	Cash	Accrual
<b>Revenue</b>	Booked when payment is received from customer	Booked when service or product is delivered to customer
<b>Expenses</b>	Booked when cash payment is made by coop	Booked when product or service is used
<b>Which one should you use?</b>		

	Cash	Accrual
Customer receives \$30,000 in services in July and pays in September	Revenue booked in <b>September</b>	Revenue booked in <b>July</b>



Homecare  
Cooperative  
Initiative  
A Project of **CDF**



Created by Rafael Garcia Motta  
from Noun Project

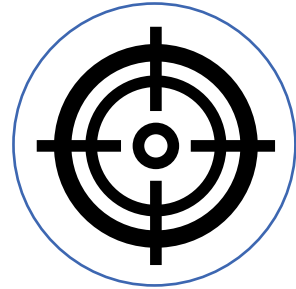
Monitor



Time



Budget



Benchmarking

Comparisons  
over time

### Sample Homecare Income Statement

	<u>2018</u>	<u>2017</u>	<u>Variance</u>
Income	1,015,000	960,000	55,000
Total COGS	758,400	729,600	28,800
Gross Margin	256,600	230,400	26,200
Operating Expenses	198,395	192,000	6,395
Net Ordinary Income before taxes	58,205	38,400	19,805
Other Income/Expense			
Net Income before taxes	\$58,205	\$38,400	\$19,805

Budget vs.  
Actual

### Sample Homecare Income Statement

	<u>2018</u>	<u>Budget</u>	<u>Variance</u>
Income	1,015,000	1,200,000	(185,000)
Total COGS	758,400	900,000	(141,600)
Gross Margin	256,600	300,000	(43,400)
Operating Expenses	198,395	200,000	(1,605)
Net Ordinary Income before taxes	58,205	100,000	(41,795)
Other Income/Expense			
Net Income before taxes	\$58,205	\$100,000	(\$41,795)

## Benchmark Comparisons

	<b>2018</b>	<b>Percent</b>	<b>Industry Benchmark*</b>
Income	1,015,000		1,835,000
Total COGS	758,400	74.7%	61.9%
Gross Margin	256,600	25.3%	38.1%
Operating Expenses	198,395	19.5%	31.5%
Income before taxes	58,205	5.7%	6.6%

\* Percentage are for agencies between \$800K and \$1.6M





Dashboard

“ a set of information and data that is shared on a regular schedule measured against an agreed upon benchmark or goal”



Dashboard

## **What Should go on a Dashboard?**

### **Whatever is important to you!**

Comparisons . . . to last year, budget, industry

Trends

% improvement

Counts, progress against specific numerical goal

**Should be linked to a specific, shared goal**



Dashboard

**Start with the goal, then think about the measure . . .**

What are some issues you struggle with?

What are some goals you would like to meet?

What would you like to communicate regularly to members?

*How to measure?*

What would make us think this is true?

It is OK to start with simple measures and expand . . . .



## Metrics

### **Some Basic Recruitment and Retention Measures . . .**

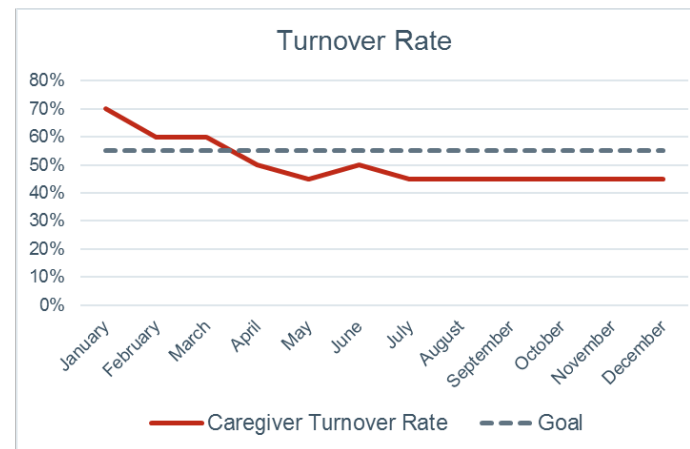
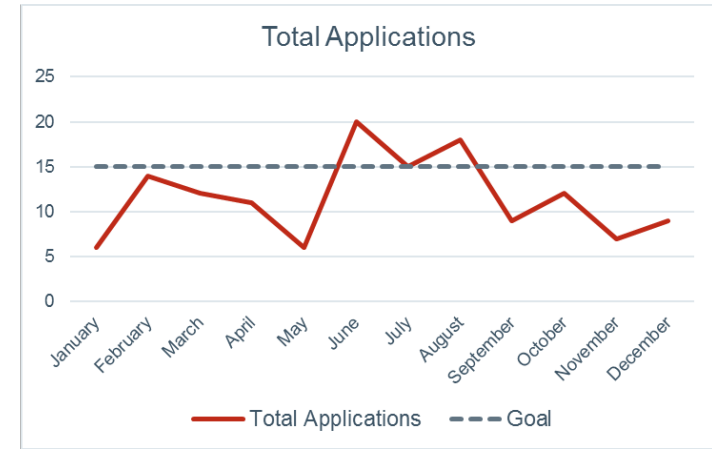
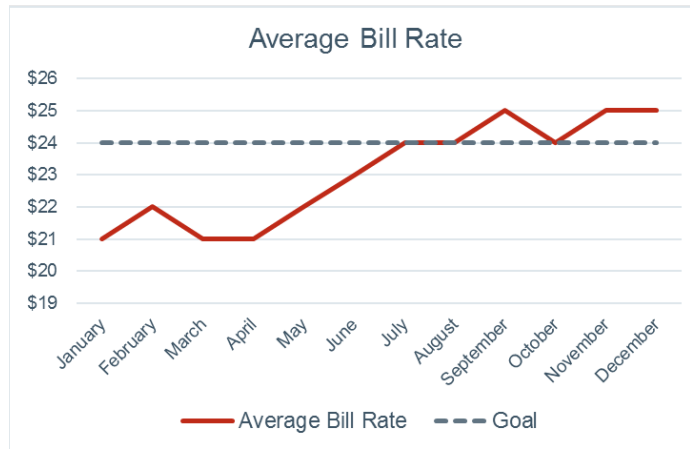
- Hires/Terms: Net Monthly Change in Caregivers
- Total Applications
- Total Interviews
- Turnover Rate
- Average Caregiver Compensation per Hour
- # Caregivers in First 90 Days
- # Voluntary Employee Departures
- Recruitment Sources

Metrics

Metric Tracking Period		
<u>Weekly</u>	<u>Monthly</u>	<u>Yearly</u>
Client Hours	Client Hours Cash on Hand Average Hourly Rate Average Hourly Labor Cost Receivables Hourly Gross Margin Travel Metrics Revenue by Payer Caregiver Turnover	Client Hours Fixed Costs Caregiver Turnover Revenue by Payer Wage Rates Fixed Costs

# Trend analysis can help you see results . . .

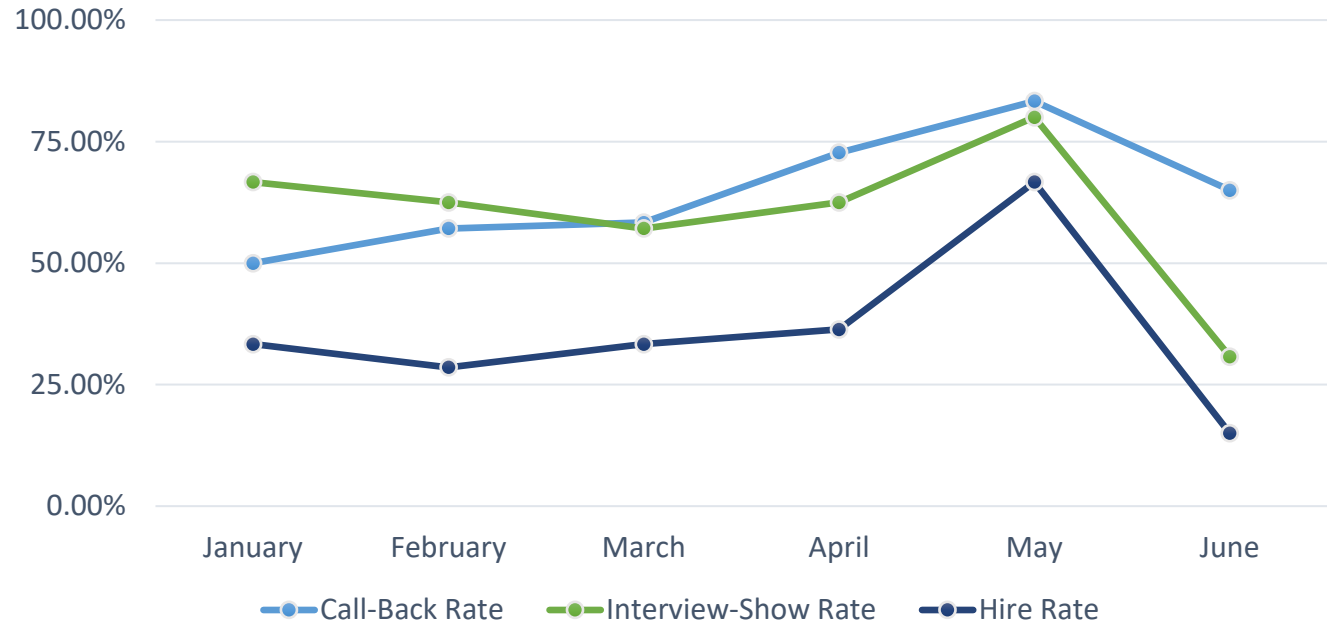
## Dashboards: Example



# Can combine multiple sources of information on one graph . . .


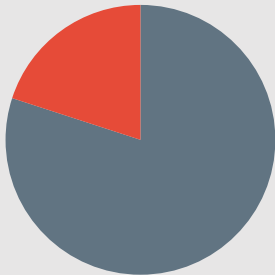
Dashboards:  
Example

### Recruitment Metrics



# Dashboards: Example

## Performance Dashboard

	August	September	October	November
<b><u>Recruitment/Retention:</u></b>				
Applications	13	44	11	5
Hires	0	2	3	0
Involuntary Turnover	3	2	0	0
Voluntary Turnover	0	0	1	0
<b>Total Turnover</b>	<b>3</b>	<b>2</b>	<b>1</b>	<b>0</b>
<b>Net Change in Workforce</b>	<b>-3</b>	<b>0</b>	<b>2</b>	<b>0</b>
<b><u>Business Metrics:</u></b>				
Billable Hours	3,397	3,650	3,524	940
Avg. Bill Rate	\$21.00	\$20.00	\$21.00	\$22.00
Gross Margin	33%	32%	33%	34%
<b>Satisfaction:</b>				
	 <p>Caregivers 7/10</p>		 <p>Caregivers 8/10</p>	





Dashboards:

## What are your 3-6 key metrics?

Can be across areas:

- Recruitment/retention
- Business financial
- Satisfaction
- other . . .

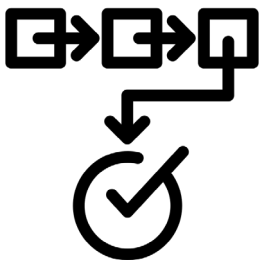
With whom and how do you want to share them?

***Metrics are only as good as their quality and consistency of their use!***

*It is OK to start with simple measures and expand . .*



Homecare  
Cooperative  
Initiative  
A Project of CDF

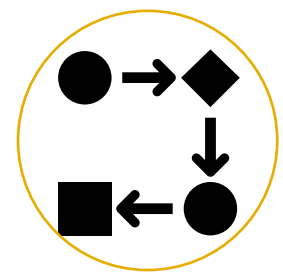


Created by BomSymbols  
from Noun Project

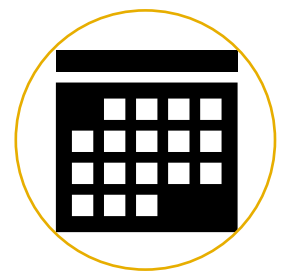
Manage



Budgeting



Strategic Planning



Board Calendar

# Budgeting & the Board Calendar

Board Calendar											
Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
Review key metrics	Review key metrics	Review key metrics	Review key metrics	Review key metrics	Review key metrics	Review key metrics	Review key metrics	Review key metrics	Review key metrics	Review key metrics	Review key metrics
Review previous year financials			Review quarterly financials			Review quarterly financials			Review quarterly financials		
Board self-evaluation				Board training				Start drafting budget	Review & amend budget	Approve budget	
Board nominations	Plan annual meeting	Send out board election materials	Annual Meeting and board election	Elect board officers		Planning retreat			Plan Manager annual Review	Manager annual review	
		Member survey				Plan summer picnic	Customer survey	Co-op Month celebration		Plan end of year party	

# Strategic Planning

<b><i>Required/highly recommended</i></b>			
<b><u>Monthly</u></b>	<b><u>Quarterly</u></b>	<b><u>Annually</u></b>	<b><u>Every 3-5 years</u></b>
Review key metrics	Quarterly financial performance review	Hold annual meeting	New strategic plan
Review basic financials		Board elections; officer elections	
		Create and approve annual budget	
		Performance review for management	
		Board self-evaluation	

<b><i>Best Practices</i></b>			
<b><u>Monthly</u></b>	<b><u>Quarterly</u></b>	<b><u>Annually</u></b>	<b><u>Every 3-5 years</u></b>
Review sub-committee reports	Board education event	Board training	Appoint sub-committee to review bylaws or key policies as needed
Member newsletter	Member event of some kind	short member survey	More detailed member survey
		Strategic planning retreat	Customer survey



Thank You

Questions?