

What You Should Look for and Expect in a CPA

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Role of a CPA - Stereotypes

- Number Cruncher
- Tax Expert
- Nebbishy
- Hunts for every penny

Role of a CPA - Now

- Financial Advisor
 - Individual
 - Family
- Effectively a CFO for the business
- Security Guard (no gun, but...)
 - Protect clients from theft
 - Protect clients from bad decisions
- Career Advisor
 - Buy a practice
 - Sell a practice
 - New job
 - Retirement

Role of a CPA - Now

- Marital Advisor
 - When to get hitched
 - Pre-nups
 - When to call it quits
- Negotiator
- Friend
 - Encouragement
 - Discouragement
- Parent
 - Needing to hear the word NO

Role of a CPA - Now

- Therapist
 - Shoulder to cry on
 - Arm to lean on
- Drinking Buddy
 - Blow off steam
 - Best way to get real story
- Confidant
 - Things they can't tell anyone else
 - Sometimes, things you (the CPA) wish you could un-hear

What you should look for...

- Expertise
 - Small businesses
 - Veterinary Industry
 - Has dealt with areas that you need help in
 - Buying/Selling a veterinary practice
 - Starting up a veterinary practice from scratch
 - Tax audit
 - Improving profitability
 - Internal Controls
 - Management Issues
 - Regional?

What you should look for...

- Compatibility
 - Personality
 - Trust
 - Accessible
 - Comfortable with this person
 - Age?
 - Support Staff
 - Professionalism

What you should look for...

– Experience

- Referral from colleague?
 - What did they use this person for specifically?
 - What did they like about him or her?
- References
 - Current clients
 - How about former clients?
 - Don't be surprised if they want a reference for you!
- Education
- Age?
- Support Staff
- Professionalism
- Trust (again!)

What you should look for...

– Cost

- What do you think you need?
- Cost of services?
- What can you afford?
- What can you not afford not to have?
- Getting what you pay for
 - Results
 - Service
 - Timeliness

Areas where a CPA can help

- Depends on where you are in your career
 - New associate
 - Retired
 - Business owner
- Depends on your financial skills
 - Comfort with numbers
 - Comfort with analyzing own numbers
- Depends on how much time you have
 - Medicine, family...time for more administrative duties?

Areas where a CPA can help

- Depends on how frustrated you currently are
 - Not profitable enough?
 - Paying too much in taxes?
 - Need more personal time
- Depends on your relationship with your current CPA
 - Confidence in him/her
 - Recent mistake?
 - Lack of results?

Tax Preparation

- Something everyone needs to deal with
- Individual, corporate, partnership tax returns
- Need accuracy
- Need knowledge of the tax law
- Want to pay as little as possible

Tax Preparation

- Want to avoid tax audits
 - Aggressive versus reckless
- Want to avoid penalties
 - Estimated taxes
- Plan for long term

Tax Planning

- Get a handle on your tax burden before end of year
- Make sure estimates and withholding are adequate
 - Avoid penalties
- Come up with strategies to lower taxes
 - Spending
 - Retirement plan
 - New equipment
 - Other ways

Tax Planning

- At very least, you'll know what you are going to owe in April
 - Four months warning
 - Time to plan and save
 - Know what your first quarter estimated payment will be in April also

Financial Statements

- Help determine financial status of company
 - Monitor more than just checkbook
- Balance Sheet
 - Assets: cash, inventory, A/R, fixed assets
 - Liabilities: A/P, loans
 - Equity
- Profit and Loss
 - How profitable are you?
 - Taxes

Financial Statements

- Profit and loss
 - Comparison to prior year – important to monitor
 - Comparison to budget
 - Comparison to industry standards – in line?
- Determine where your practice is weak and where strong
- Cash Flow – where is your cash going?

Budgeting

- Planning for the coming year
 - What to expect
 - How to handle unexpected
- Setting goals for you and staff
 - Revenue
 - Expenses
 - Net income
 - Bonuses/Employee Incentives
- Identify ebbs and flows of business
 - Good months
 - Bad months

Budgeting

- Try to avoid surprises
 - Cash shortfall?
- Plan for major practice changes
 - New associate
 - When to hire?
 - Can you afford?
 - New practice manager?
 - Major equipment purchase
 - When?
 - Cash? Finance?
 - Paying down loan
 - Owner cash needs

Improving profitability

- Understanding your profit and loss/practice numbers
- Setting targets
- How do you get there?
 - Staff costs?
 - Cost of Professional Services?
 - Other areas
- Establishing a three year plan
- Remember: improving profitability also improves value

Management Reports

- Helping you track the pulse of the practice
- Daily, weekly, monthly reports
- Establish minimum number of reports required
- Least amount of time needed
- Strike right balance – time versus knowledge

Operational Help

- Helping a practice owner achieve personal and professional goals (in addition to financial goals)
- Assistance with hiring decisions
- Firing decisions
- Equipment decisions
- Hours of operation

Retirement Planning

- Understanding your personal, financial and retirement goals
 - When do you want to retire?
 - How much will you need per month?
 - How active will you be?
 - How much in retirement assets do you need set aside?
- Advise you on setting up best retirement plan for your practice
- Affordability of contributions

Business Expansion

- How big?
- Helping determine if you are ready
- New building or remodel?
- What can you afford?
- Will the extra business come?
- Keeping you under budget

Security Guard

- Protecting your income
 - Bad day-to-day decisions
 - Control spending
- Protecting your net worth
 - Bad investments
 - Getting involved with bad people
 - Overextending
- Protecting your business
 - Internal controls

Security Guard

- Protecting your business
 - Reviewing books/numbers
 - Proper handbooks and policy manuals in place
 - Insurance
- Illegal activities
- Still not foolproof

Internal Controls

- So important, it needs its own slide
- Review current state of controls
- Discuss implementation
- Discuss personnel
- Owner periodic spot review

Internal Controls - one more thing...

Internal Controls

- A few important factors to remember about embezzlement and theft in small businesses:
 - If they occur, most thefts in your practice will only involve one person,
 - Generally, only the people you trust will be able to steal from you, and get away with it.
 - Most embezzlements continue for months before being discovered.

Resource

- Referrals
 - At one point or another, you will need one or more of the following:
 - Attorneys
 - Real Estate
 - Contracts
 - Trust/Will
 - Litigation
 - Employment
 - Martial

Resource

- Referrals
 - Bankers
 - Credit Lines
 - Business Loans
 - Banking relationship

Resource

- Referrals
 - Veterinary Practice Consultants
 - Marketing
 - Training
 - Work flow
 - OSHA

Resource

- Referrals
 - Certified Financial Planners
 - Investments
 - Retirement
 - Human Resources
 - Real Estate Brokers
 - Practice Brokers
 - Search Firms

Financial confidant

- Analyze Net Worth
- Filing Bankruptcy
- Divorce
- Loaning money
- Borrowing money
- Other financial troubles

Buying a Veterinary Practice

- Analyzing the data - Financial
 - Value
 - Fair?
 - How calculated?
 - Terms of transaction
 - Fair?
 - Financing terms?
 - Feasibility
 - Does it work under current cash flow
 - How much do you need to make?

Buying a Veterinary Practice

- Analyzing the data - Financial
 - Documents
 - Competent attorney
 - Tax Treatment
 - Allocation of purchase price
- Analyzing the data – Non-Financial
 - Good match?
 - Potential
 - Buyer really an owner?
- Negotiating
 - How involved? Point person?

Buying a Veterinary Practice

- Due Diligence
 - Often overlooked, but is critical
 - Is practice what they say it is?
 - Revenue
 - Expenses
 - Building
 - Staff

Buying a Veterinary Practice

- Financing
 - Assist in getting best loan out there
 - Down payment
 - Interest Rate
 - Term
 - Pre-payment penalties

Buying a Veterinary Practice

- Transition
 - Help you get ready to take over business
 - Entity selection
 - Governmental Agencies
 - Vendors
 - Staff

Buying a Veterinary Practice – one more thing...

Have your own team!!!

- Need your own financial advocate
- Need your own legal advocate
- Avoid one consultant representing both parties
 - Potential for conflict of interest
 - Question will always arise for you: person moved by what is fair, or by higher payday?
- Extra cost, in long term, well worth peace of mind

Selling a Veterinary Practice

- Setting the terms
 - Value of Practice
 - All cash?
 - Seller financing?
 - Employment contract?
 - Lease?
- Tax treatment for seller
 - What entity is seller? S Corp? C Corp? Sole proprietor?
 - Allocation of sales price extremely important
 - What will seller have to pay in taxes?

Selling a Veterinary Practice

- Due diligence on buyer
 - References for this person
 - Personal financial statement
 - Meet - does this person have what it takes to succeed?
- Negotiating
 - How involved? Point person?
- Transition
 - Staff issues
 - Final accounting
- Separation Anxiety
 - Help seller let go and move on

Valuing a Veterinary Practice

- Need for?
 - Selling
 - Buying
 - Marital dissolution
 - Partner/Shareholder dissolution
 - Estate Tax purposes
 - Curiosity

Valuing a Veterinary Practice

- Discuss Method to be used
 - New practice?
 - Established practice?
 - Capitalized Excess Earnings
 - Single Period Capitalization
 - Discounted Future Cash Flow

Starting Up a Veterinary Practice from Scratch

- Takes a special breed
 - Money
 - Energy
 - Charisma
 - Family
 - Spouse/significant other that works
 - Vision

Starting Up a Veterinary Practice from Scratch

- Projections
- Cost of Start Up
- Staffing
- Transition
- Cash Flow

Exit Strategies

- Help you determine when you should sell
 - Set timeline
- Improve profitability
 - According to game plan
- Improve value
 - Hand in hand with profitability
- Clean up numbers
 - Phase out perks!
- Identify buyers
 - In house?
 - Outside
 - Corporate?

You've found your CPA...now what?

- Engagement Letter
 - Details out all duties of CPA – what do you want him or her to help you with?
 - Details out cost of duties
 - Billing procedures
 - Retainer required?
 - Who will be involved in his/her office
 - Signed by owner (s)

You've found your CPA...now what?

- Plan your transition
 - When to begin?
 - How to begin?
- Documents Needed
 - CPA should provide list
 - Prior year tax returns
 - Financial statements, etc.

You've found your CPA...now what?

- Set Up Schedule
 - Meeting dates
 - Due dates of major projects
 - Monthly phone calls?
 - Dates you need to get them information
- Monitor Results
 - Communication
 - Billing
 - Responsiveness
 - Professionalism
 - Timeliness

You've found your CPA...now what?

- Critique
 - Let him or her know your thoughts – happy?
 - Expect them to do same

Copy of slides by email?

Questions?



Answers