

Understanding and Interpreting Your Financial Statement

By: Gerard J. Kassouf, CPA/PFS, CFP®, a director in the firm of L. Paul Kassouf & Co., P. C.

Privately owned health care companies usually have monthly financial statements prepared by in-house bookkeepers or external accountants. Financial statements are prepared in two parts.

The Statement of Assets, Liabilities and Owners' Equity provides the reader with a snapshot of what is owned and what is owed by the practice on the cash basis of accounting. It is important to understand that there are usually no patient accounts receivable or accounts payable to vendors included on the cash basis financial statement.

The Statement of Revenues and Expenses provides the reader with the cash income collected and cash payments made for expenses during a period for the current tax year of the practice. Some non-cash items, such as depreciation and amortization, will usually be shown on these financial statements, which will indicate the profitability of the practice for the period presented.

Let's take the statements and review them as you might review a monthly financial report. The Statement of Assets, Liabilities and Owners' Equity is a classified statement—Current Assets, Property and Other Assets are the most common Asset sections. Current Liabilities and Long-term Liabilities are the most common Liability sections. The Owners' Equity sections will depend on the type of entity you created for tax purposes.

Current Assets consist of your cash accounts, any petty cash and other transactions, such as a short term employee loan. By definition, Current Assets are cash or assets that will convert to cash within a twelve month period.

Property consists of the equipment and leasehold improvements, or building you purchased that is used in the practice. These assets usually depreciate over a time period established by the Internal Revenue Service. Some assets



Gerard J. Kassouf

are written off in as short as three years, and some require at least 39 years to write off. (There are many variations of depreciation for tax purposes, which is outside the scope of this topic)

Other Assets consists of payments made that are expected to be written off over long periods of time, such as organization costs or goodwill, or assets that are not expected to convert back to cash within a twelve month period, such as a lease deposit.

Current Liabilities are amounts that you owe which are due soon, but no later than twelve months. Long-term Liabilities are those amounts that must be paid, but are not due for at least twelve months. A bank note that has a term of 5 years is an example of a liability that will be shown on your financial statement in two parts—a portion in the current liability section and a portion in the long-term liability section.

Owners' Equity, again by definition, is the difference in the amount of the assets and the liabilities. All businesses strive to have more Assets than Liabilities.

The Statement of Revenues and Expenses (The Income Statement) can be developed to provide the user with a significant amount of information on how the health care entity is doing, and if you desire, can provide a comparison with prior years, prior months, etc. This statement presents the revenues collected and expenses paid, and the amount of profit for the period. Therefore, it is important to understand whether any bills remain unpaid at the end of the reporting period, since under the cash basis of accounting, they are not required to be reflected in the statement until they are paid.

The Statement of Revenue and Expenses is your view of the practice. It tells how collections compare to previous periods and how well you are controlling the expenses. Take a look at

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Letter From the President

As I prepare this quarter's contribution to the society's newsletter, I am anxiously anticipating my high school class reunion. Twenty five years ago, I, along with over 400 other young adults, set out bright eyed and ambitious to make our marks on the world. Many of my classmates have gone on to pursue and are in the midst of successful careers in law, business, engineering, education, military service and the mission field— just to list a few. There are also quite a few physicians from Sidney Lanier's Class of 1992. One of my dearest high school friends is a pediatrician in California. Another is an intensivist in Montgomery. Of course, I am eager to find out about their practices. Would they choose medicine again? Are they still as enthusiastic about medicine today as they were 5 or 10 years ago? How are they coping with the stresses of EMR? Family life? Reimbursement challenges? Recertification requirements?



Because there are so many challenges facing doctors, **Physician Burnout** has become a popular topic among leaders in graduate medical education (recognizing that even resident physicians deal with chronic stressors) and seasoned physicians alike. Although burnout is not unique to physicians, it is more common among doctors than workers in other fields.

- **What is burnout?** Burnout is a syndrome of exhaustion, cynicism and decreased effectiveness at work (Shanafelt, JAMA March 2017).
- Statistics suggest that over 50% of emergency medicine, internal medicine and family medicine physicians are dealing with burnout.

Perhaps you recognize symptoms of burnout in yourself, a colleague or spouse. Is it too late to change established practice patterns or are there ways to:

- Lower stress levels?
- Improve work-life balance?
- Create a more ideal practice?

Join us on **Saturday, August 19, 2017 at the UAB Alumni House from 8am-2pm** as we tackle these questions and more in a **Physician Burnout Seminar** featuring Dr. Dike Drummond. Dr. Drummond is a national expert on physician burnout and has authored the book, "Beating Physician Burnout". The cost of the seminar is \$75 for Jefferson County Medical Society members; \$150 for non-member physicians. Breakout sessions for spouses and resident physicians are planned.

Watch for updates on the Jefferson County Medical Society website and email blasts. We look forward to seeing you on August 19th!

In Service to Mankind,
Katisha Vance, MD, FACP

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the major expenses of your practice—Rent, Salaries, Supplies, Benefits and Insurance—these usually account for over eighty percent of the total expenses. They are the difference between profitability and loss.

Remember, however, that it is important to have the proper expenses to generate income to make the practice profitable. In short, it takes money to make money.

Preparing financial information on a monthly basis, and having it soon after the month closes allows you to make tactical adjustments to the practice to improve profitability. That's why it's important to obtain, review and analyze each month's statement as soon as possible after the end of the month.

IN MEMORIAM

THE JCMS WANTS TO ACKNOWLEDGE THE RECENT
PASSING OF THE FOLLOWING JCMS MEMBERS:

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MARCH 22, 2017

ROBERT EDGAR "BOB" HOWE, M.D.
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JCMS Welcomes the Following New Members

Ellen Marie Amrock, M.D.	Resident	Robert Tyler Lockett, M.D.	Resident
Maro Stephanie Andaya, M.D.	Resident	Austin Malory Luker, M.D.	Resident
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Jacob Robert Batson, M.D.	Fellow	Kelly L. McMillian, M.D.	Pediatrics
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Joshua Keith Cooper, M.D.	Resident	Nimisha Kanu Patel, M.D.	Anesthesiology
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Melissa Gomez, M.D.	Resident	Randall Corey Rougelot, M.D.	Resident
Edison Goncalves, M.D.	Endocrinology	Keith Perry Russell, M.D.	Fellow
Sara Stewart Gonzales, M.D.	Resident	Kristine Campbell Sawyer, M.D.	Resident
Judah Norman Greenberg, M.D.	Fellow	Helen Jane Scharko, M.D.	Resident
Maria Elena Gutierrez, M.D.	Resident	Robert Daniel Sellers IV, M.D.	Resident
Allen N. Jarzombek, M.D.	Resident	Soumya Sivaraman, M.D.	Fellow
Kristyn Nicole Jeffries, M.D.	Resident	Alexander M. B. Spence, M.D.	Resident
Nathaniel A. Kouns, M.D.	Resident	Mukta Tripathi, M.D.	Family Medicine
Andrew Annino Kuklinski, M.D.	Resident	Tom B. Vaughan III, M.D.	Endocrinology
Spencer G. Kuper, M.D.	Fellow	Christiana Marie Wilkins, M.D.	Resident
Ms. Roxanne M. Lockhart	Medical Student	Bradley Weldon Wills, M.D.	Resident
Ashley Barnett Love, M.D.	Resident	Andrea M. O. Wolf, M.D.	Resident

Upcoming Events

- June 29-30** Health Professions Program with Girls, Inc.
- July 17** Executive Committee Meeting - 5:30 p.m.
- Aug. 19** Physician Burnout Education – 8:00 a.m. to 2:30 p.m.
- Sept. 18** Foundation Trust Meeting – 5:00 p.m.
Executive Committee Meeting – 5:30 p.m.
Board of Censors Meeting – 6:30 p.m.
- Sept. 19** The Wayne Finley 811 Breakfast Meeting – Dr. Bob Bourge will speak at 8:30 a.m. in the JCMS Board Room.
- Oct. 16** Executive Committee Meeting - 5:30 p.m.
- Oct. 17** The Wayne Finley 811 Breakfast Meeting – Adam Robertson, M.D.,FACEP, and Joe Acker, EMT-P, MPH, will speak on BREMSS at 8:30 a.m. in the JCMS Board Room
- Oct. 28** JCMS Lessons in Cultural Competency Seminar – more details to come.
- Nov. 2** JCMS Annual Social – The Club

Contact Juanita Pruitt at 933-8601 or jpruitt@jcmsalabama.org for more information regarding any of the above events.



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Do you want to...

Lower your stress level?

Improve work-life balance?

Create a more ideal practice?

**Attend the BURNOUT PROOF LIVE WORKSHOP
with Dr. Dike Drummond of the happymd.com
Presented by the Jefferson County Medical Society
August 19, 2017, 8: 00 a.m. – 2:30 p.m.
UAB Alumni House**

Spouses/significant others are welcome.

Discounted pricing for JCMS and other county medical society members.

Registration fee includes a copy of the book *Stop Physician Burnout* by Dr. Dike Drummond.

To register, please call the Jefferson County Medical Society at 933-8601.

This activity has been planned and implemented in accordance with the accreditation requirements and policies of the Accreditation Council for Continuing Medical Education (ACCME) through the joint providership of Southern Medical Association and the Jefferson County Medical Society. The Southern Medical Association is accredited by the ACCME to provide continuing medical education for physicians.

American Medical Association Physician's Recognition Award (AMA)

Southern Medical Association designates this Live activity for a maximum of 5.5 *AMA PRA Category 1 Credits™*. Physicians should claim only the credit commensurate with the extent of their participation in this activity.

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