REFERENCE

Glossary

Every term used in the modules, one line each, in the order you are likely to meet them in your monthly package.

The statements

Profit and loss (P&L, income statement)
Revenue less expenses for a period. Answers "did we make money this month."

Balance sheet
What the business owns (assets), owes (liabilities) and what is left for the owners (equity) on a single day. Assets always equal liabilities plus equity.

Cash flow statement
Where cash came from and went during a period: operations, investing (equipment), financing (loans and owner money).

Accrual basis
Revenue is counted when earned and expenses when incurred, regardless of when cash moves. How your books are kept.

Cash basis
Revenue and expenses counted when cash moves. Simpler, but misleading month to month for a business that sells packages.

Fiscal year
The twelve months the business reports on. Most small clinics use the calendar year.

The P&L, top to bottom

Revenue (sales, income)
What was earned from services delivered and products sold in the period.

Collections
Cash actually received from patients. A management services agreement usually measures its caps on collections, not revenue.

Cost of services (cost of goods sold, COGS)
The product and supplies used up to deliver the revenue: injectables, consumables, retail product cost.

Gross profit and gross margin
Revenue less cost of services. Gross margin is that number as a percentage of revenue. A medspa usually runs 60 to 80 percent.

Operating expenses (overhead, opex)
The cost of running the clinic regardless of volume: people, rent, marketing, software, insurance.

Operating income (EBIT)
Gross profit less operating expenses and depreciation. Earnings before interest and taxes.

Depreciation
Spreading the cost of equipment over the years it is used, a bit each month, instead of all at once when bought.

Amortization

The same idea for things you cannot touch: start up costs, organizational costs, a trademark.

Net income (net profit, the bottom line)
What is left after every expense, interest and tax.

EBITDA
Net income with interest, taxes, depreciation and amortization added back. The standard measure of operating earnings.

Adjusted EBITDA
EBITDA with one time items and owner specific costs removed, to show what a new owner would earn. Requires documentation for each adjustment.

Add back
An amount added to net income on the way to EBITDA or adjusted EBITDA.

The balance sheet

Asset
Something the business owns or is owed: cash, inventory, equipment, a deposit, money due from the other company.

Liability
Something the business owes: a card balance, wages, sales tax collected, a loan, visits already paid for.

Equity
Owner money put in, plus profits kept in the business, less anything taken out.

Deferred revenue (unearned revenue)
Cash received for services not yet delivered. A liability until the visits happen. Packages and memberships live here.

Gift card liability
The value of gift cards sold and not yet redeemed.

Accrued wages
Pay and commissions earned by staff but not yet paid at month end.

Inventory
Product on the shelf, mainly injectables. An asset until used.

Fixed asset
Equipment or improvements above the capitalization threshold, depreciated over time.

Capitalization threshold
The dollar line above which a purchase becomes a fixed asset instead of an expense. The IRS safe harbor is $2,500 per invoice or per item for businesses without an applicable financial statement.

Current versus long term
Current means due within a year. The loan balance due in the next twelve months is current; the rest is long term.

Due to / Due from
What one of your companies owes the other at a point in time. The two balances must match.

Intercompany
Any transaction or account that tracks money moving between two companies under common ownership.

Working capital

Current assets less current liabilities. The cushion the business runs on.

Cash runway
Cash on hand divided by average monthly operating cost. Months you could run with no revenue.

Accounts receivable and accounts payable aging
Reports listing what is owed to you and what you owe, grouped by how many days old each balance is.

Churn
The share of members who cancel in a month: cancellations divided by members at the start of the month.

Variance (inventory)
Product used according to the count, less product charged to patients. The number that catches waste, under charging and missing product.

Par level
The amount of a product you want on the shelf on order day. About six weeks of use for injectables.

Bookkeeping

Chart of accounts
The numbered list of every account the books use. First digit tells you the type: 1 assets, 2 liabilities, 3 equity, 4 income, 5 cost of services, 6 to 9 expenses.

Double entry
Every transaction touches at least two accounts. Debit and credit are the names of the two sides.

Journal entry
A manual entry moving amounts between accounts. Benchmark's job.

Bank feed
Transactions downloaded automatically from the bank into QuickBooks, waiting to be categorized or matched.

Categorize
Tell QuickBooks which account a new bank transaction belongs to.

Match
Link a bank transaction to an entry already in the books, so it is not counted twice.

Bank rule
An instruction that codes a recurring transaction automatically.

Reconciliation
Matching the books to the bank statement until the balances agree to the cent. Done every month for every account.

Close
The set of steps that finishes a month: reconcile, count inventory, roll deferred revenue, book depreciation, tie intercompany, produce reports.

Register
The list of every transaction in one account, in date order.

Patients and marketing

Rebook at checkout
The share of visits where the next appointment was booked before the patient left.

Recall
A message sent before a treatment wears off, to patients who did not rebook.

Lead
Someone who reached out (form, call, chat, message) and is not yet a patient.

Conversion rate
The share of one step that reaches the next: leads that book a consult, consults that book a treatment.

Cost per new patient (customer acquisition cost)
All marketing spend divided by new patients.

Revenue per marketing dollar
Revenue divided by marketing spend. Under 3x the spend is not paying back.

Google Business Profile
Your free listing on Google Search and Maps. The single most important marketing asset a local clinic has.

Local SEO
The work of ranking in the map and search results for treatments in your area: a complete listing, reviews, consistent details, and a page per treatment.

Selling the clinic

CIP (Confidential Information Memorandum)
The document that presents the clinic to buyers: history, team, market, three years of financials, the EBITDA bridge, growth levers.

Teaser
A one page, no name summary sent to potential buyers before they sign a non disclosure agreement.

Management presentation
The meeting where shortlisted buyers question the owner and the team. Often where the price moves.

Letter of intent (LOI)
A non binding offer setting price, structure and an exclusivity period. After it, the price only goes down.

Data room
The shared folder holding every document a buyer asks for in diligence.

Rollover
Part of the sale price taken as a stake in the buyer's company instead of cash.

If you have two companies

PC (professional corporation)
The physician owned medical practice. Patients, revenue and clinicians belong here.

MSO (management services organization)
The management company that runs the business side and charges the practice a fee.

Management fee

The fixed monthly amount the PC pays the MSO for management services. Never a percentage of collections.

Reimbursable expenses
Costs the MSO pays on the practice's behalf and recovers from it.

Waterfall
The required order of payment: professional payables, reimbursables, then the management fee.

Sweep
The daily transfer from the Practice Account to the Management Account after reserves are held back.

Corporate practice of medicine
The rule that only licensed physicians may own a medical practice. The reason the two company structure exists.

Tax and compliance

Sales tax
In California, collected on retail products sold to patients, not on services, and paid by you on supplies used in services. Other states differ; check yours.

Resale certificate
The document that lets you buy retail products without paying sales tax, because you will collect it when you sell them.

1099-NEC
The form reporting payments to non employee service providers. Needs a W-9 from each vendor and a list to your CPA by mid January.

W-9
The form a vendor fills out giving you their tax ID. Collect it before the first payment.

EIN
Employer Identification Number, the federal tax ID of a company. Each of your companies has its own, which is why there are two payrolls.

Section 195 start up costs
Pre opening expenses that are partly deducted in year one and mostly spread over 180 months.

C corporation
A corporation taxed separately from its owners. Owners are paid salary through payroll; profits paid out are dividends.

Officer compensation
Salary paid to a corporation's officers through payroll.

Quality of earnings (QoE)
A buyer's review that rebuilds EBITDA from source documents before a sale.

Multiple
The number a buyer multiplies adjusted EBITDA by to arrive at a price. A "turn" is one whole number of multiple.

SOPs
Standard operating procedures, the written steps for how the clinic does things. Buyers read them as proof the business runs without the owner.

Earnout
Part of a sale price paid later, only if agreed targets are hit.

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