

# How an Orthodontic Practice *Improved Transparency & Reliability* of Their Financial Performance

## *the* CHALLENGE

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Since 1977, a leading orthodontic practice (the Client) has helped over 40,000 patients look and feel better by achieving beautiful and healthy smiles. Located in Kansas City, Missouri, the Client offers advanced orthodontic treatment options for children, teenagers, and adults.

For the past four decades, they've been committed to improving the lives of orthodontic patients and their families by providing outstanding professional care and customer service. Their dedication to their business is evident in their investment in the surrounding communities through their charity work and partnerships with non-profit organizations.

In the summer of 2018, the Client sought an interim financial advisor as they prepared to replace their financial controller. As they continued to acquire and build new practices throughout the community, their growth simply outpaced the amount of cash they had on hand, as is common in the orthodontic industry. While patients are able to make orthodontic treatment payments over the course of a few years, the Client's operating costs remain steady, resulting in frequent cash shortages.

The Client recognized they needed a financial expert who could serve in an interim role to help them reconcile their outstanding balances while also establishing new solutions for managing and optimizing their cash flow. To fill this need, they explored a variety of options, including hiring a new resource or engaging a financial firm. Their goal was to find someone who could help them maintain and improve their financial operations in order to continue providing affordable and efficient orthodontic care.

## CLIENT OVERVIEW

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### INDUSTRY

Healthcare

### LOCATION

Kansas City, Missouri

### SERVICE TYPE

Concierge CFO Services

In July of 2018, the Client engaged Peek Advisory Group as a result of their proven track record in streamlining financial operations. Within a month of working together, two critical employees departed the Client's company, resulting in additional staffing gaps and a lack of in-house financial resources. Despite these additional challenges, Peek Advisory Group leveraged their financial expertise in a project-based CFO capacity. In this role, Peek Advisory Group performed the following financial consulting services:

#### FINANCIAL STATEMENT REVIEWS

After an initial Accounts Payable Rapid Assessment report, Peek Advisory Group thoroughly reviewed financial statements, including general ledger activity and reconciliations, in order to identify and remediate gaps. Throughout this process, Peek Advisory Group helped the Client to develop a new process for accounts receivable to ensure that both the balance sheet and income statement fully reflected the contract receivable activity on a monthly basis.

In addition, the Client was able to streamline and consolidate their chart of accounts which allowed them to more readily use and understand their financial reports. This simplified process encouraged staff to establish ongoing use of Quickbooks with less resistance than the past.

#### CASH FLOW FORECASTING

In order to determine how the Client was using cash and provide recommendations for future investment opportunities and debt paydown, Peek Advisory Group created a cash flow forecast. The cash flow forecast was essential to facilitating discussion for how the Client would meet ongoing business funding needs.

#### SOFTWARE INTEGRATION AND SUSTAINABILITY

Historically, the Client leveraged Quickbooks and Cloud 9 to maintain and report on business financials. However, the company wanted to explore other options for potentially upgrading to more comprehensive, integrated systems. As a result, Peek Advisory Group conducted a review of the Client's software, evaluating the feasibility, limitations, and opportunities for upgrading to a more robust Enterprise Resource Planning (ERP) system.

## SOLUTIONS AT A GLANCE



Financial Statement Reviews



Cash Flow Forecasting



Software Integration and Sustainability



Other Process Reviews



Staffing and Training Advisement

#### OTHER PROCESS REVIEWS

To ensure financial operations were running as smoothly as possible, Peek Advisory Group worked closely with the Client to identify other processes that could be improved within 90-days for immediate impact. From their Credit Card Expense Reporting and Utilization to their Cash/Handling/Gathering Process, Peek Advisory Group identified opportunities where the Client could increase their efficiency.

#### STAFFING AND TRAINING ADVISEMENT

Finally, the Client relied on Peek Advisory Group to help them identify a long-term solution for filling their financial leadership needs internally. Peek Advisory Group's approach was two-fold, leveraging training opportunities to prepare the existing staff for financial success while also advising the Client on their short and long-term staffing needs.

## the RESULTS

In the six months that followed, the Client experienced significant results that signal a marked improvement in financial accounting, reporting, and operations. First, all financial balance sheet accounts were reviewed and reconciled, resulting in over \$100,000 in prior period corrections dating back to 2016. Additionally, Peek Advisory Group identified and corrected an error in excess of \$2 million in the accounts receivable balance sheet. To minimize such errors in the future, Peek Advisory Group helped the Client establish new processes for managing accounts payable and receivable in Quickbooks. This included the development of a daily cash reconciliation process by which employees are now trained on and implementing.

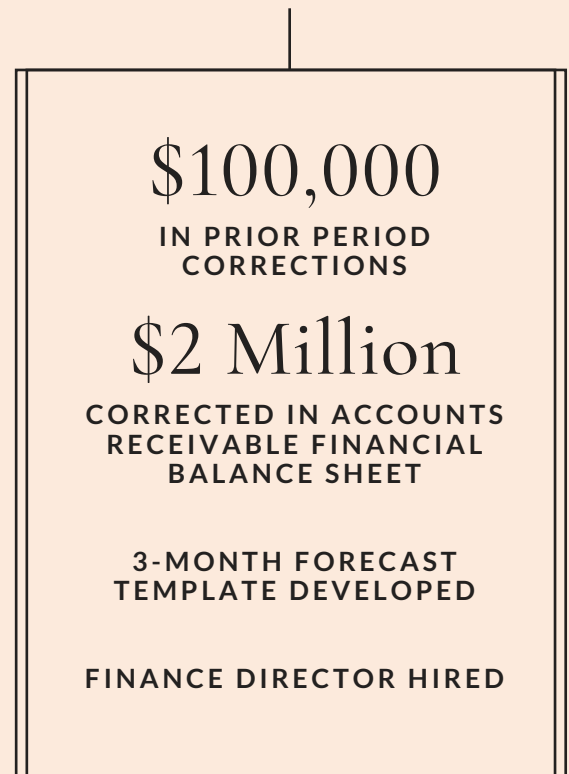
In order to continue enhancing transparency and reliability of the Client's financial performance and reporting, Peek Advisory Group also developed cash flow forecasting templates. This included both a monthly forecast template, as well as a three-month forecast template, to help them more accurately estimate the timing and amount of cash flowing in and out of the company. To capture as much detail as possible, these detailed templates included:

- Daily cash receipts forecast
- Scheduled loan payments
- Outstanding check tracking

As a result, the Client was able to minimize their reliance on American Express as a line of credit, which had been requiring lump sum payments of approximately \$150,000 per month.

Another way Peek Advisory Group reduced the Client's cash flow volatility was by moving their doctor payroll to a fixed schedule, which offset employee payrolls. Further, they recommended doctor payroll be moved into Paycor, an integrated payroll software, which would eliminate manual ACH transfers and enable systematic reporting. Reconciliation of employee payroll accounts was also critical, and a new payroll recording process was established to reduce incorrect account balances on the balance sheet.

## RESULT HIGHLIGHTS



A thorough redesign of the Client's financial accounting and reporting processes proved there was no immediate need for upgrading to a more robust ERP system. With the reconciliation of balance sheets and new processes established in Quickbooks, the Client's existing software is better equipped to be used consistently with greater visibility into financials.

Finally, Peek Advisory Group developed a staffing model that resulted in the hiring of a Finance Director in late fall. In addition, key processes were thoroughly documented and existing staff has received extensive training that has prepared them to regularly monitor and report on key financials.

As the Client enter 2019, they are now equipped with data insights to help them make key business decisions. In addition, their streamlined accounting processes are empowering their team to keep business operations running smoothly so they can focus on delivering patient-focused care by which their community knows them.

## PEEK ADVISORY GROUP

We are a woman-led team of financial advisors and B2B transaction experts focused on small business accounting, planning, and advising for women-led businesses. Our 20-plus years of experience in everything from CFO services to transactional support helps our clients build business legacies, not just companies.

We are committed to building lasting partnerships with our clients, seeing them through every step of the business ownership cycle – from buying their first business, to selling their last, our clients receive unmatched support and guidance that translates into sustainable success.

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