Kampala Family Clinic

- Project Overview and Objectives
- Finance
- Operations
- Six Steps to Great Marketing
- Information Technology
- Conclusion

Finance: Importance of Metrics

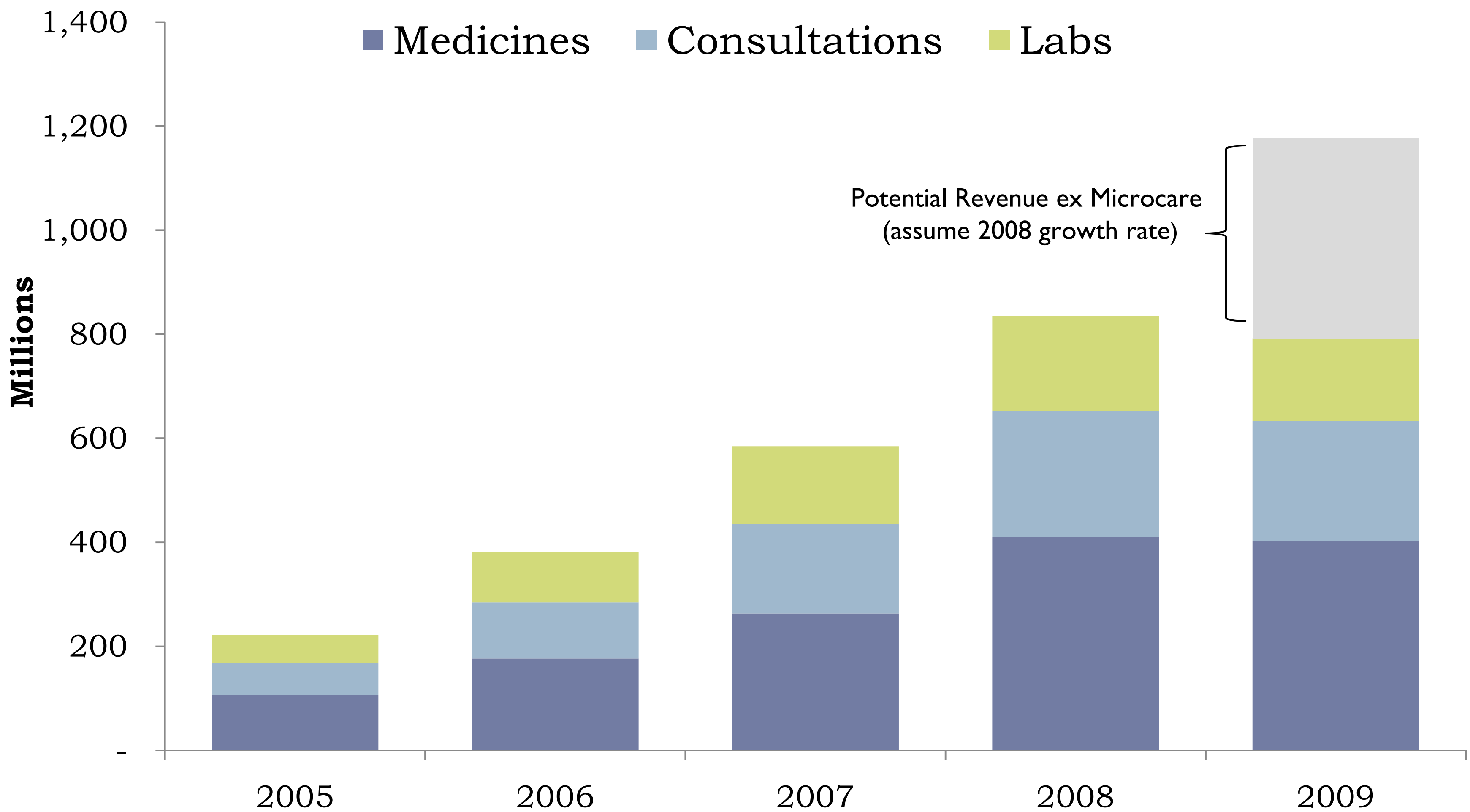
- What to track?
  - Profit & Loss
    - What services are growing?
    - Are expenses stable?
      - Fixed Costs vs. Variable Costs
    - Compare month-to-month and prior year results

- Why?
  - Forecast sales growth and identify expansion opportunities
  - Focus on services that are growing
  - Decrease overhead expenses
  - Understand how fluctuations in COGS affect the business

Finance: Importance of Metrics (cont'd)

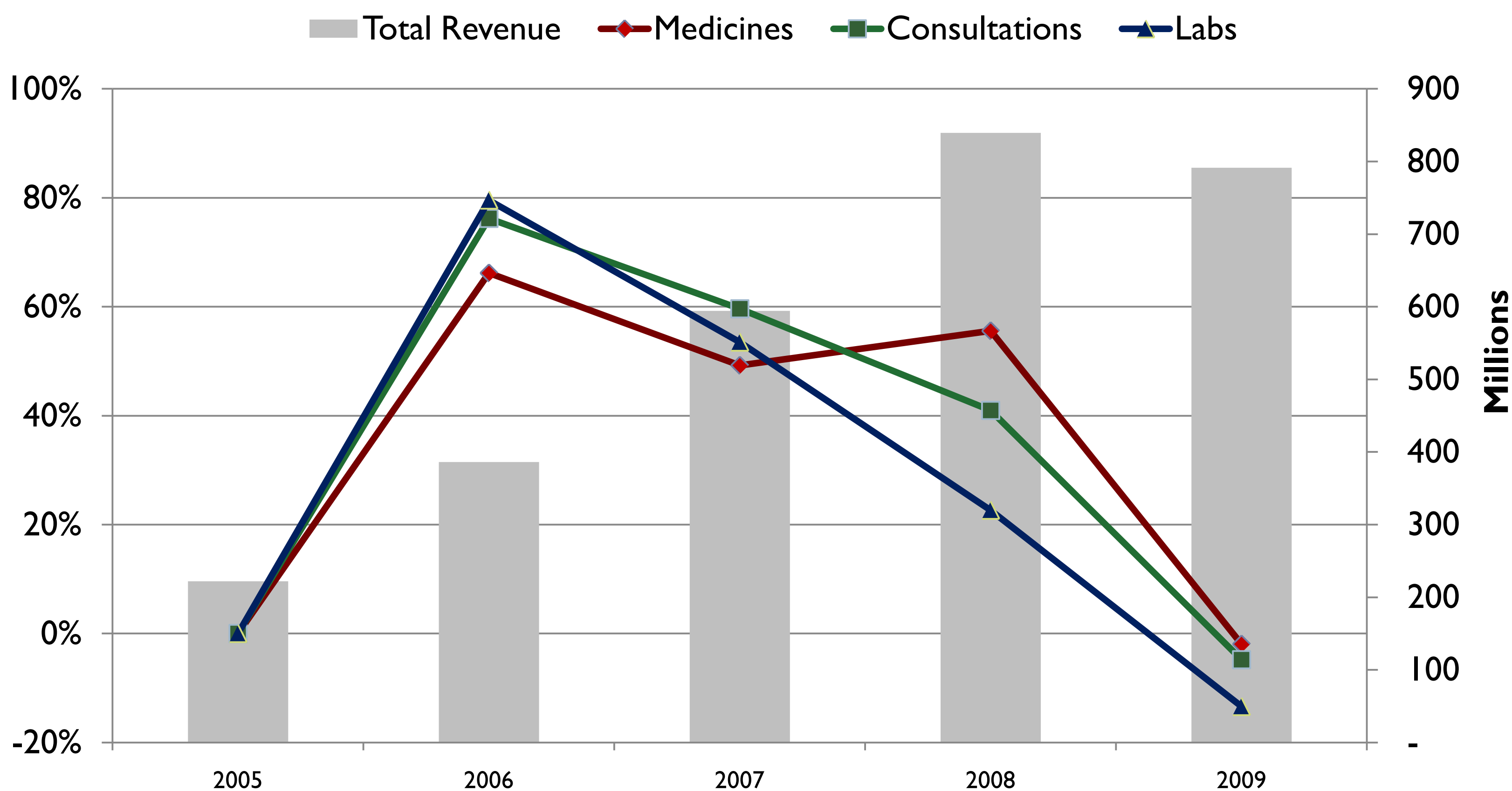
- What to track?
  - Cash Flow
    - How to improve cash on hand
      - Accounts Receivable & Accounts Payable
    - Key Metric: Average Days of Collection
      - Aging of Receivables in QuickBooks
      - Receivable Turnover: 365/(Sales/Average Receivables)
- Why?
  - Improve use of current financial resources
  - Forecast cash needs for future investment opportunities

Finance: Historical Trends Revenues by Service



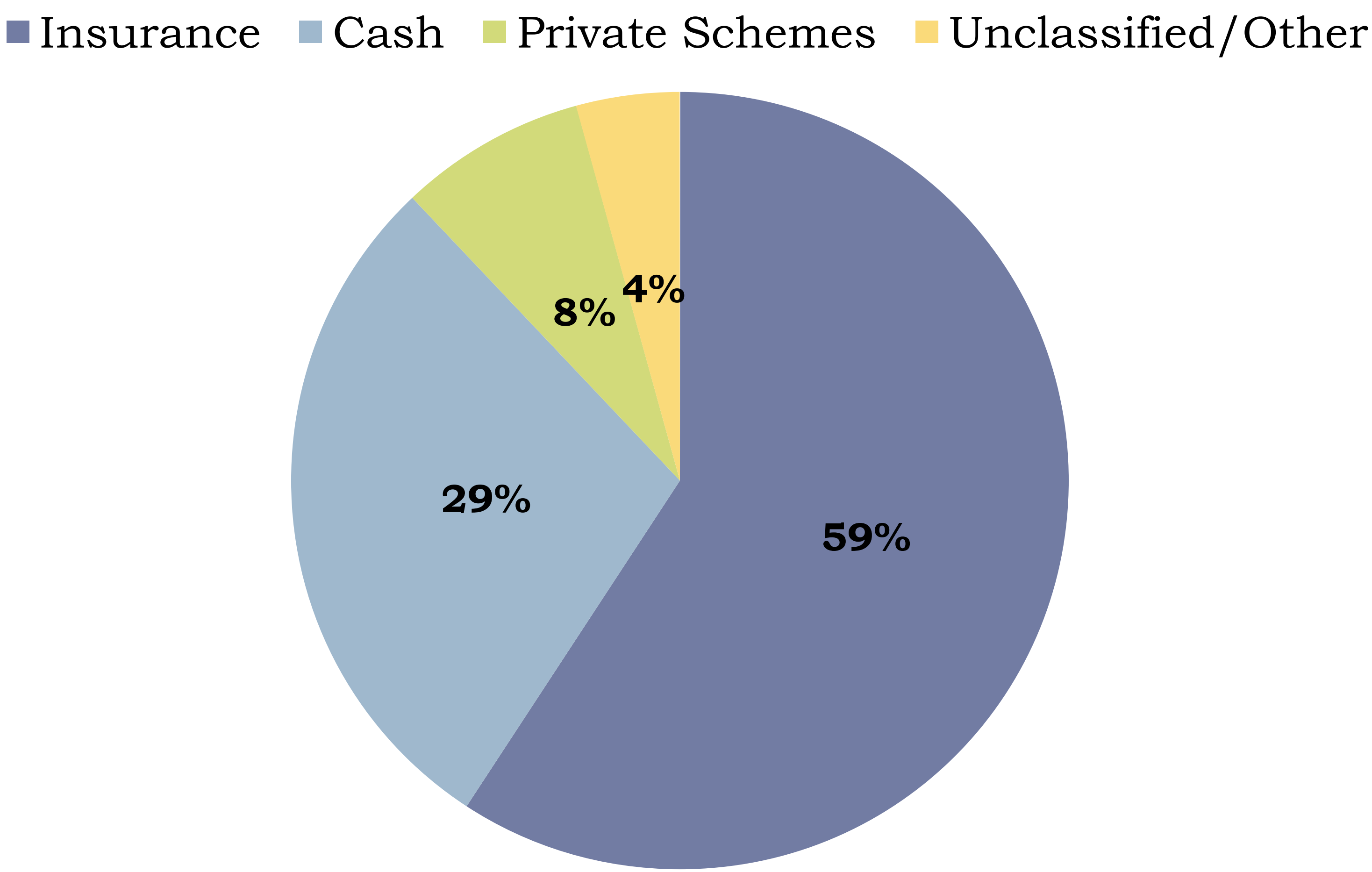
Impressive growth is seen in each type of service. In 2009 growth is stagnant, largely due to Microcare.

Finance: Historical Trends
Growth Rate by Service



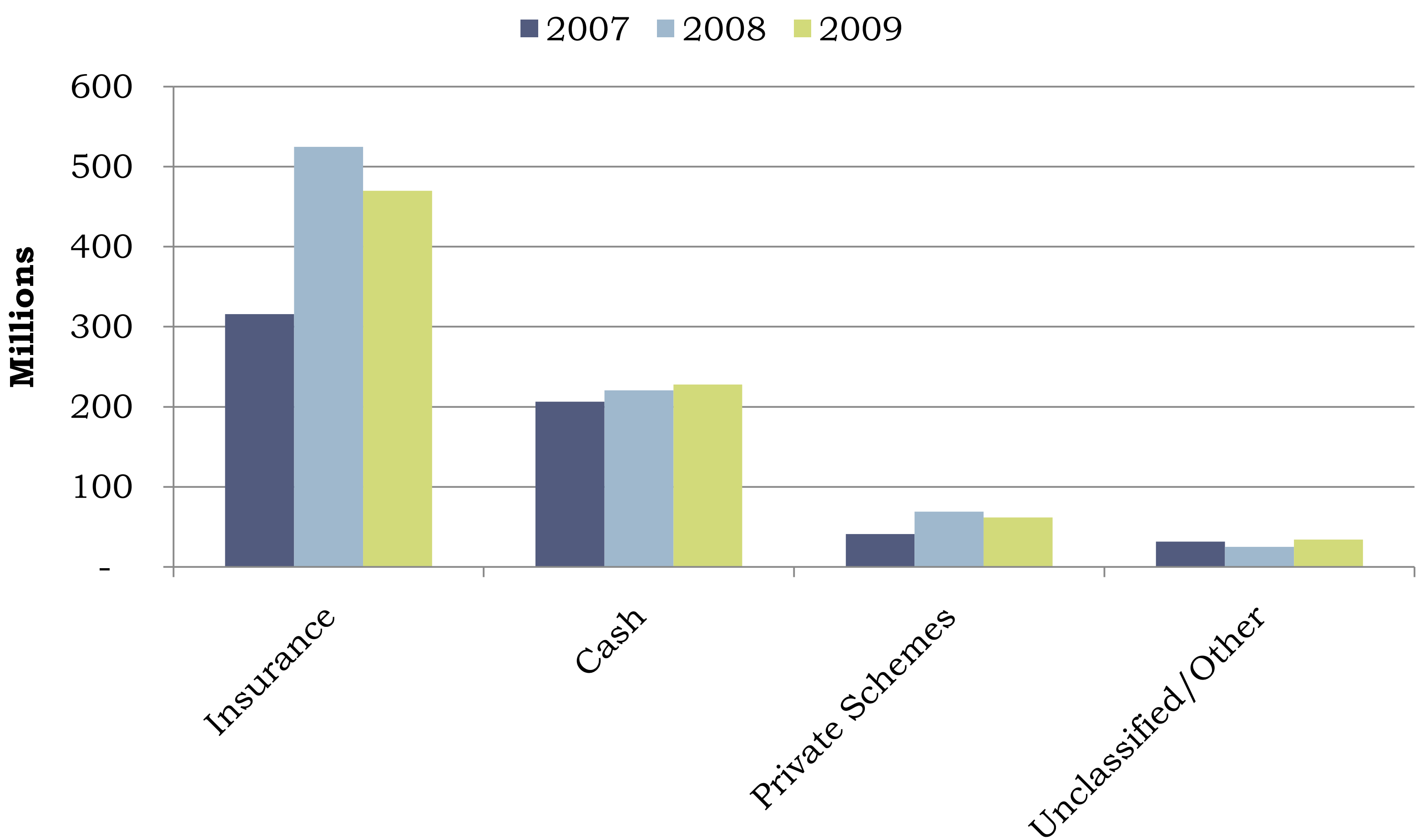
Strongest growth rate in Medicines followed by Consultations and Labs.

Finance: Current Snapshot
2009 Revenues by Payment Type



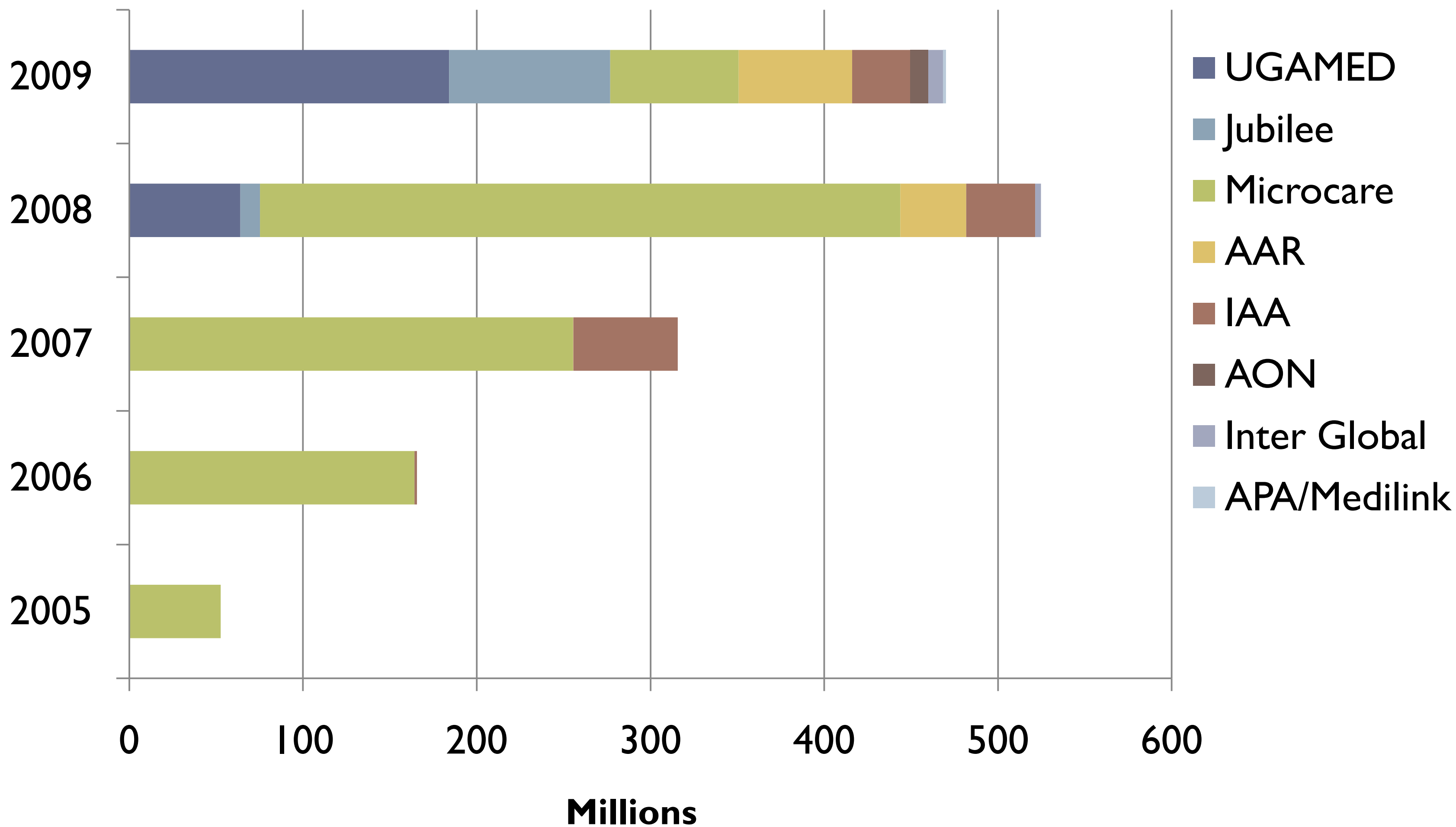
60% of 2009 revenue are insurance payments.

Finance: Historical Trends
Revenues by Type



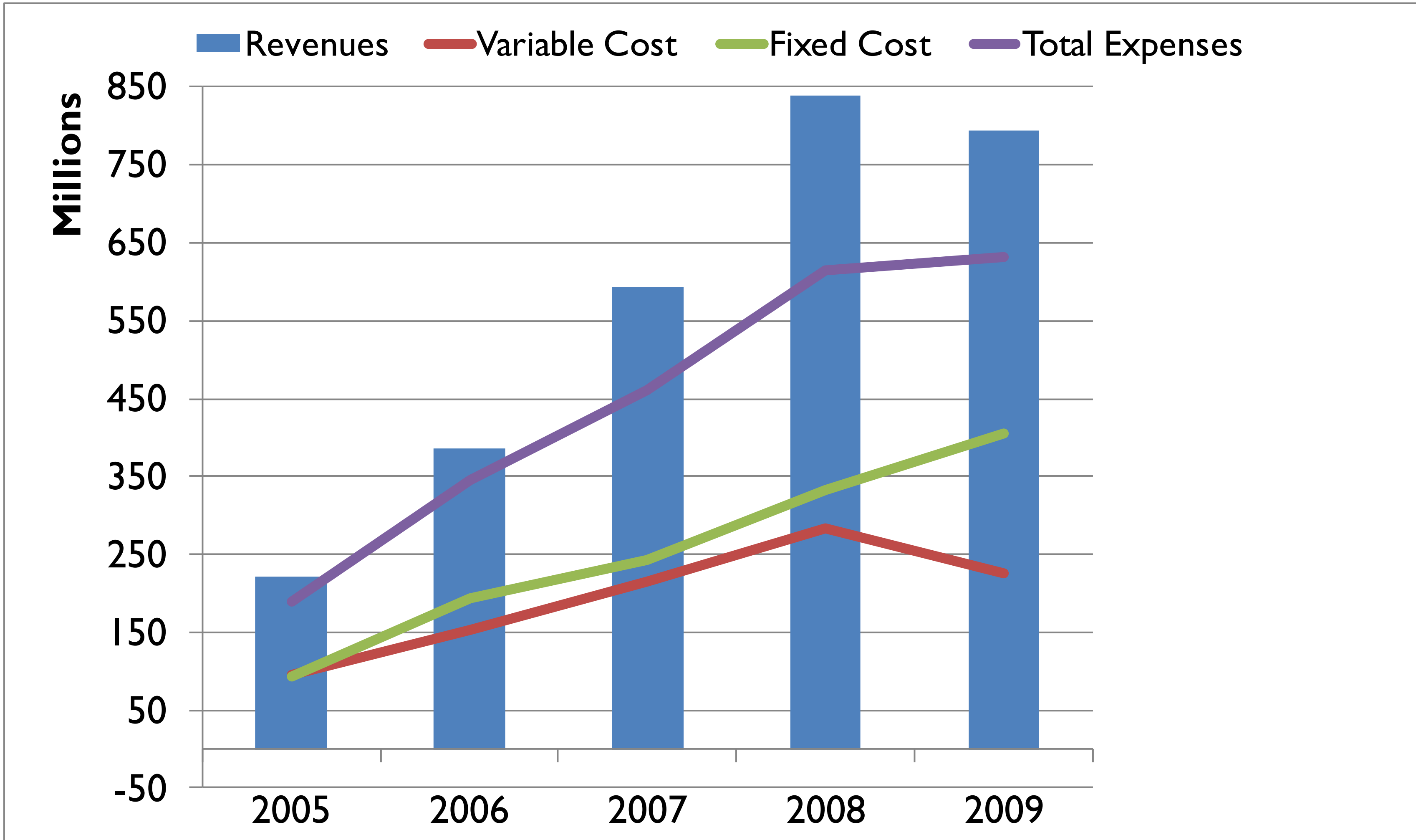
Revenue by insurance has grown significantly since 2007. Revenue by cash payment has had limited growth.

Finance: Historical Trends Revenues by Insurance Provider



In 5 years, the insurance market grew from one to eight companies. We expect this growth to stabilize.

Finance: Historical Trends
Total Expenses Relative to Revenues

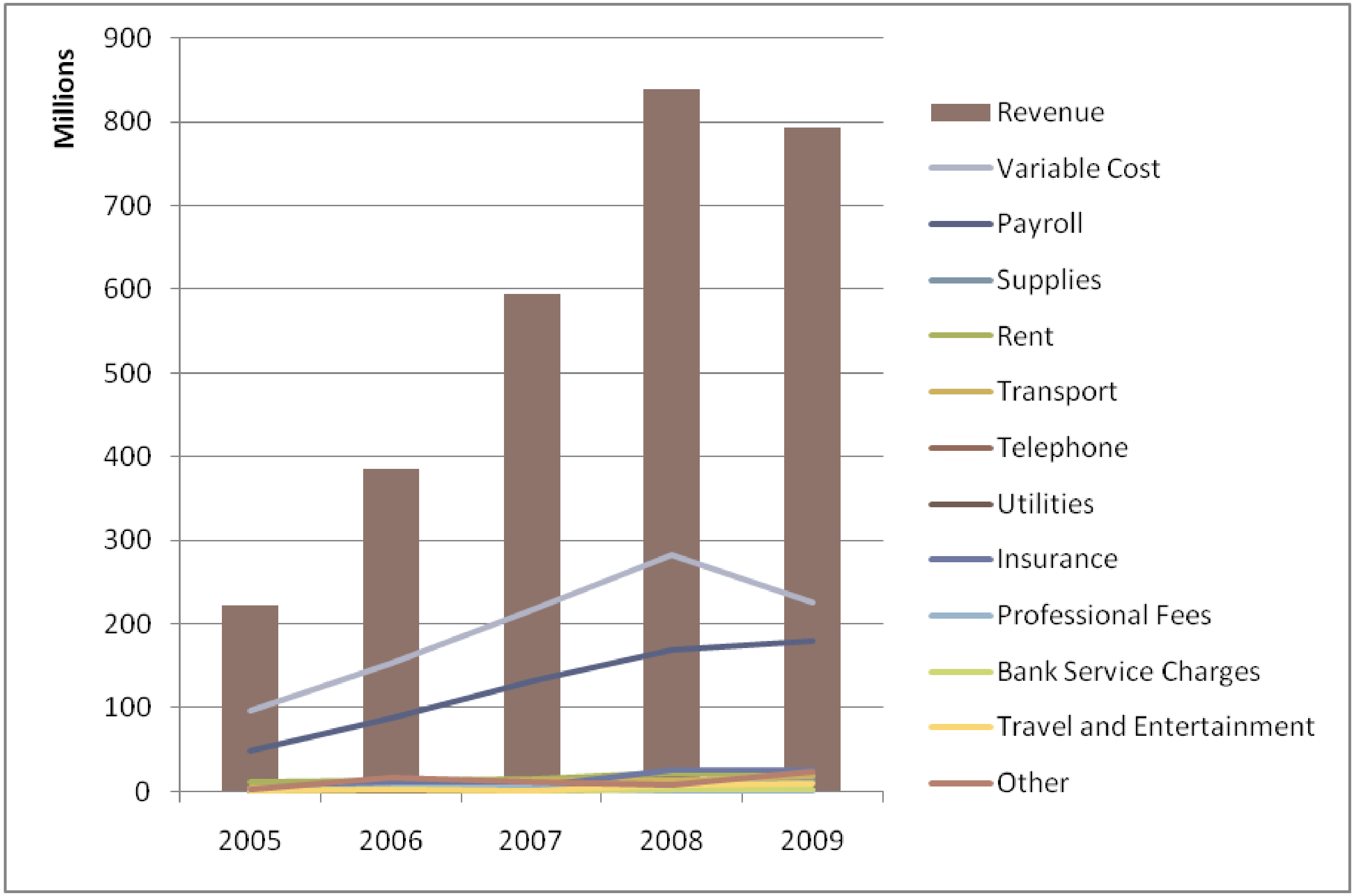


As revenues grow, total expenses have stabilized and variable costs grow at a slower rate. Economies of scale could help lower fixed costs.

Finance: Fixed vs. Variable Costs (based on QuickBooks line items)

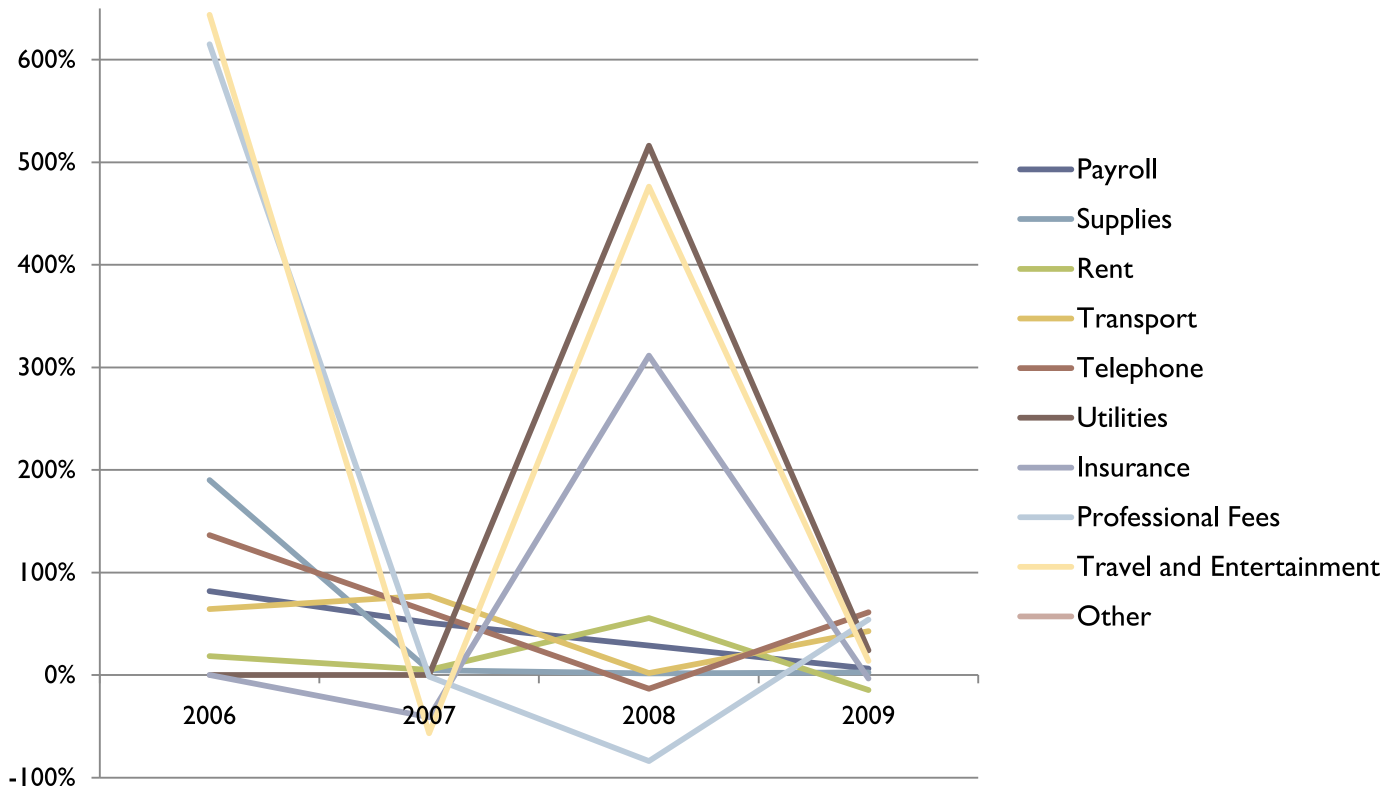
Variable Costs	Fixed Costs
COGS	Payroll (part-time and full-time)
Lab Supplies	Supplies
Medical Supplies	Rent
Lab Fees	Transport (motor bike, car, transport hire)
Medical Referrals	Telephone
	Utilities (electricity, other utilities)
	Insurance
	Professional Fees
	Bank Service Charge
	Travel & Entertainment
	Other

Finance: Historical Trends
Drill Down on Fixed Cost Expenses



While revenues and variable costs have gone down in 2009, payroll expenses slightly went up, possibly due to not adjusting for MicroCare.

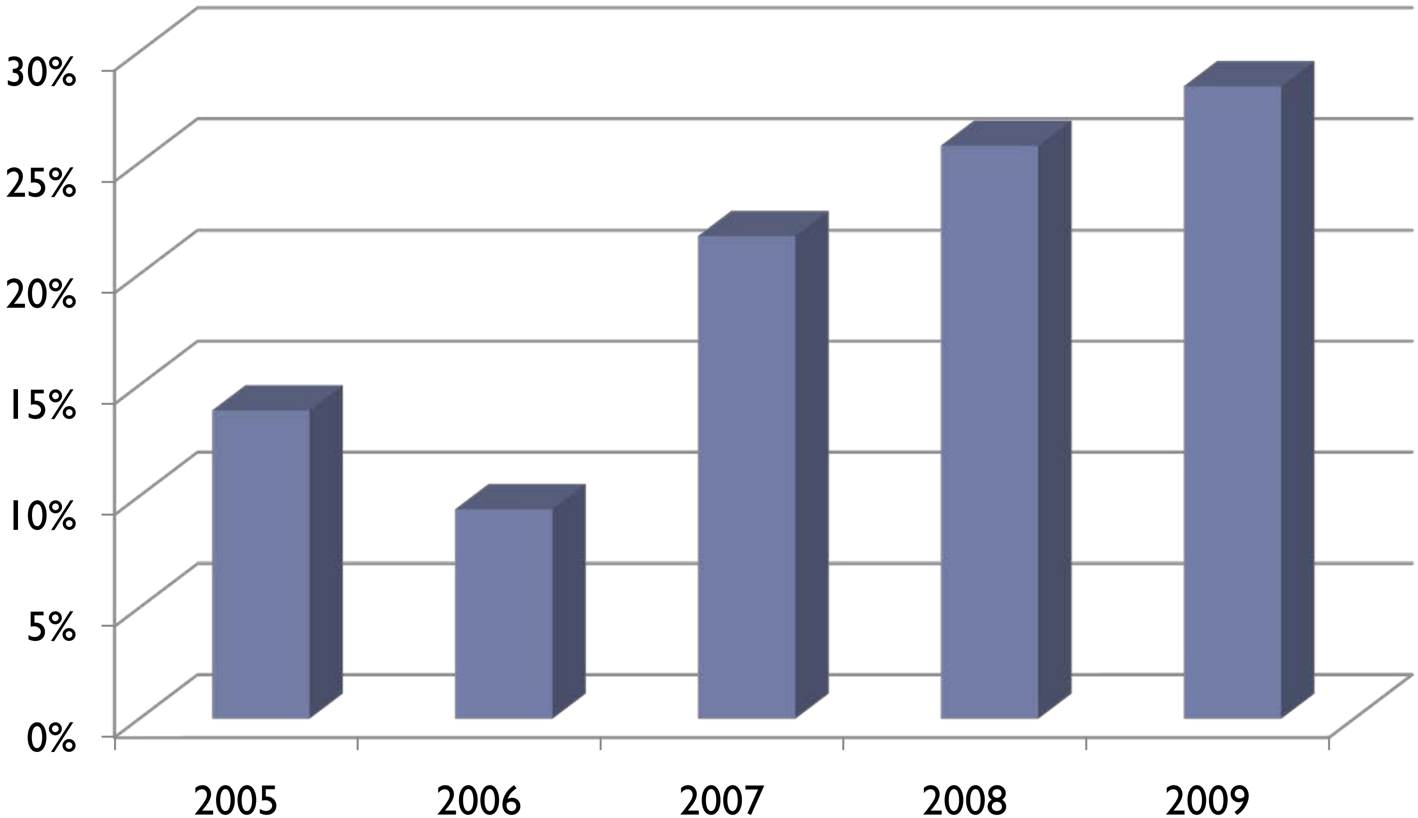
Finance: Historical Trends
Main Drivers in Fixed Cost Expenses



Bank charges, utilities, travel & entertainment and insurance have been your main drivers for growth in fixed cost expenses.

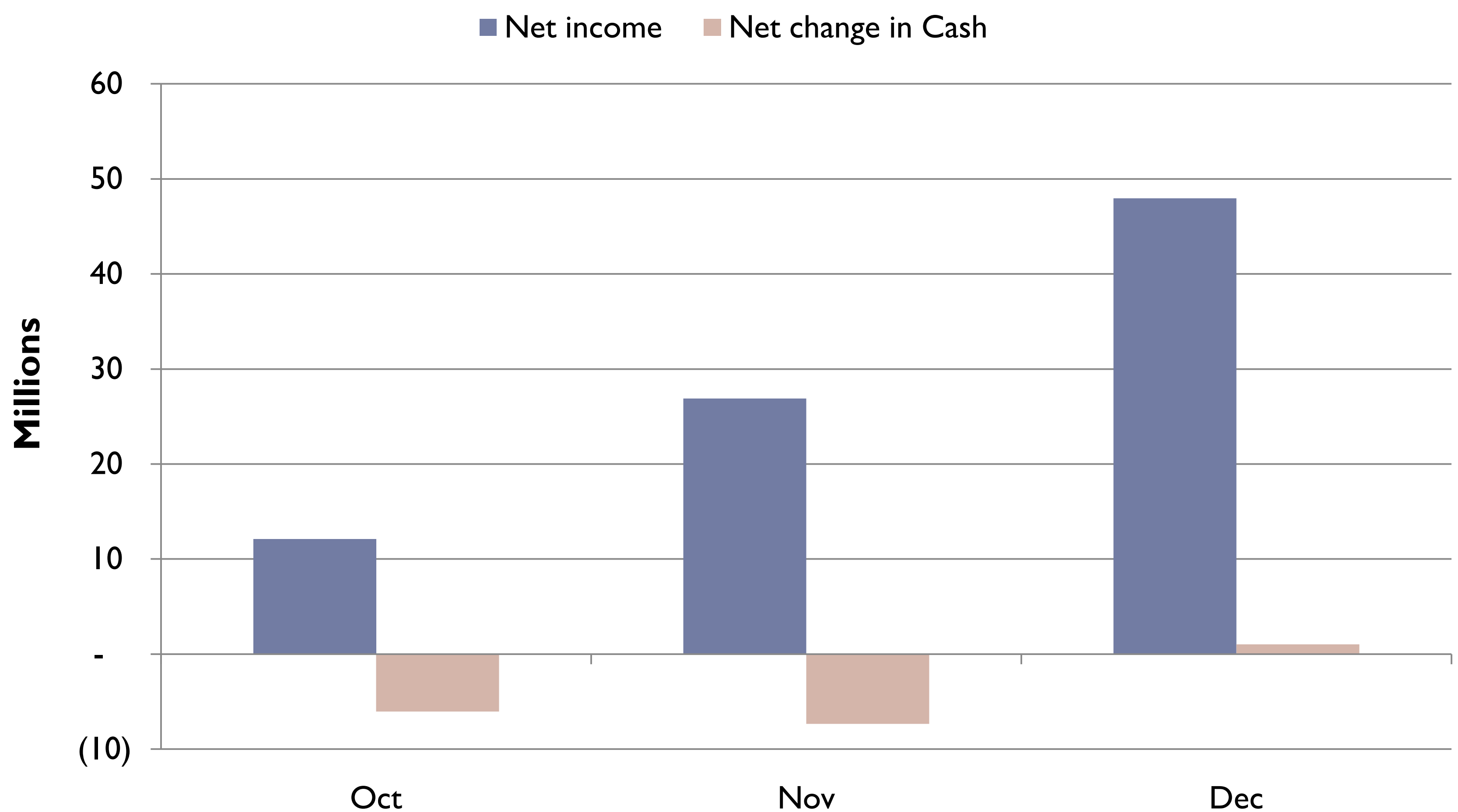
* Bank charges have the largest growth and are therefore removed to prevent skewing of the graph.

Finance: Historical Trends
Profit Margins



Profit margins have improved over the past 5 years and are currently at a strong 28%.

Finance: Snapshot Cash Flow



Income is increasing but cash on hand is not. There is a cash problem.

* Net income numbers may be skewed. November expense data appears distorted.

Finance: Calculating Net Change in Cash Flow

- Month by month, it is important to understand where the cash is being allocated
- Net Income is an *accounting number*
  - Net Income is not cash but rather a bookkeeping number, since e.g. some sales might be on credit
- Accounts Receivable
  - If A/R grows from the prior month, then we are not getting our sales in cash. Our Net Income increases, but our cash does not.
  - If A/R decreases from the prior month, that means customers are paying invoices and we are increasing our cash balance.
- Accounts Payable
  - If A/P grows from the prior month, we are holding on to our cash, instead of paying bills.
  - If A/P decreases from the prior month, we are paying our debt with cash and our cash shrinks as well.

Finance: Calculating Net Change in Cash Flow (cont'd)

- To find out the net change in cash, we need to do the following
  - Find Net Income (NI)
  - Find change in A/R.
    - If A/R has gone up, subtract from NI
    - If A/R has gone down, add to NI
  - Find change in A/P
    - If A/P has gone up, add to NI
    - If A/P has gone down, subtract from NI
  - Financing
    - If cash came in from other sources, add to total sum
  - Other
    - Find all items in books which increase or decrease NI, but do not result in any cash transfers. Adjust NI accordingly for those items.

Finance: Current Snapshot
Cash Flow

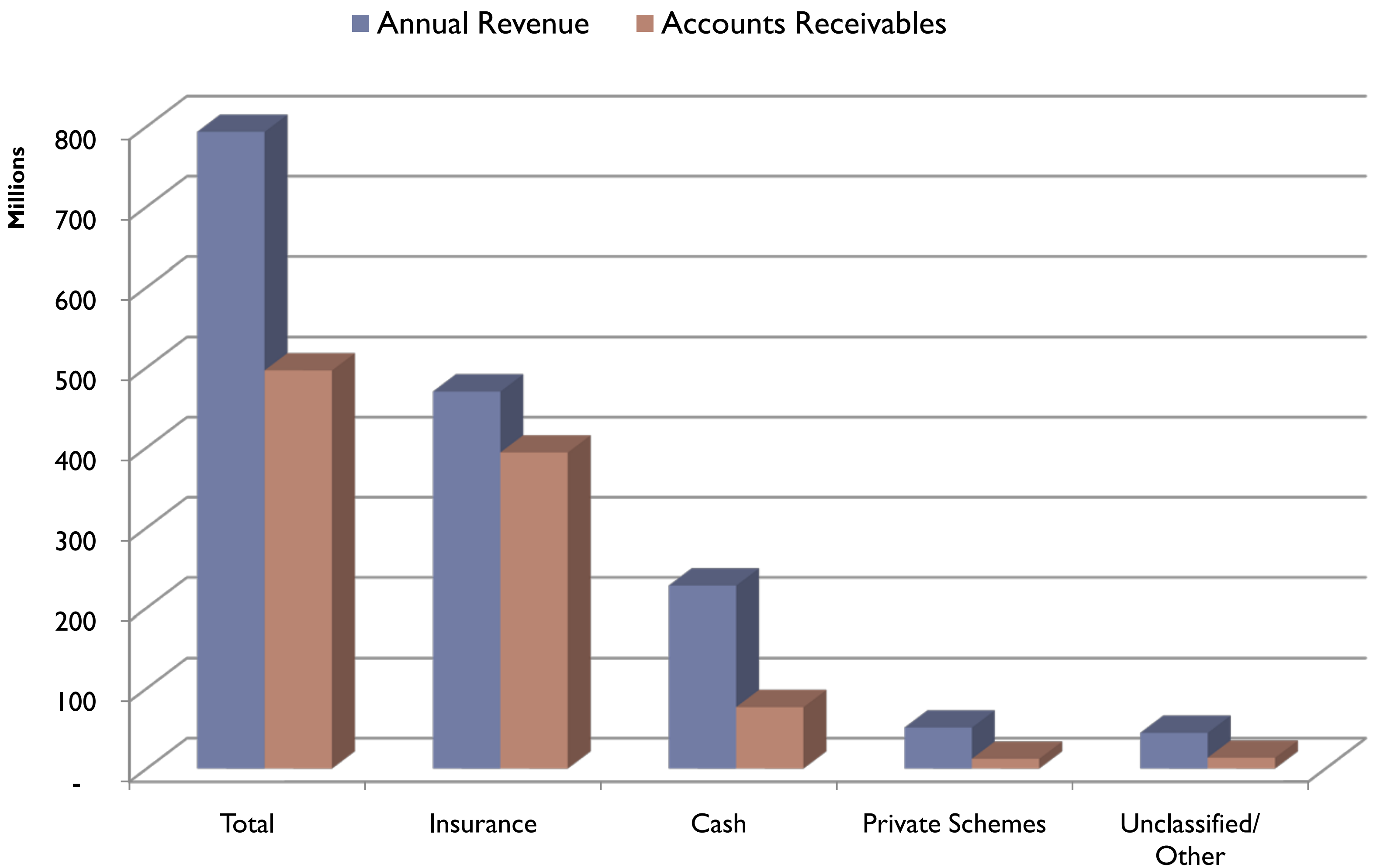
	Oct	Nov	Dec
Net income	12,076,799	26,878,409	47,950,650
Accounts Receivable	**(57,022,028)**	**(29,663,548)**	**(50,617,139)**
Accounts Payable	(11,337,891)	(9,854,953)	17,039,586
Financing	51,669,989	5,701,912	-
Other	(1,422,480)	(620,828)	(12,964,381)
Net change in Cash	**(6,035,611)**	**(7,337,807)**	**1,022,081**

* Financing in October is due to the Accounts Receivable balance transfers from 2006 database. This has distorted the actual cash picture. **Before relying on the cash flow statement, make sure cash in cash flow ties to the cash in all cash bank accounts!**

Accounts receivable balances are driving weak cash inflow.

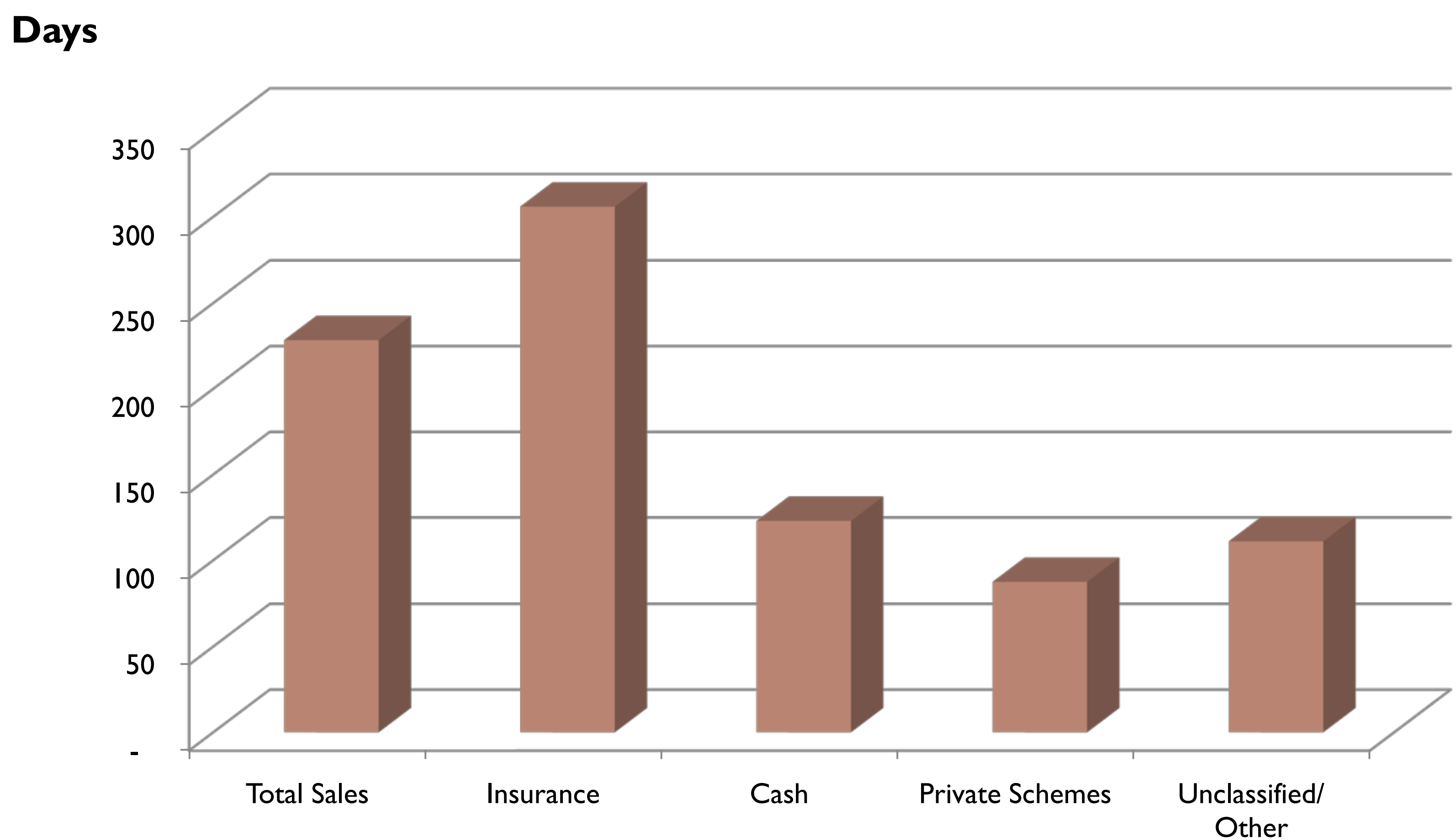
* Net income numbers may be skewed. November expense data appeared distorted.

Finance: 2009 Sales & Receivables Comparison



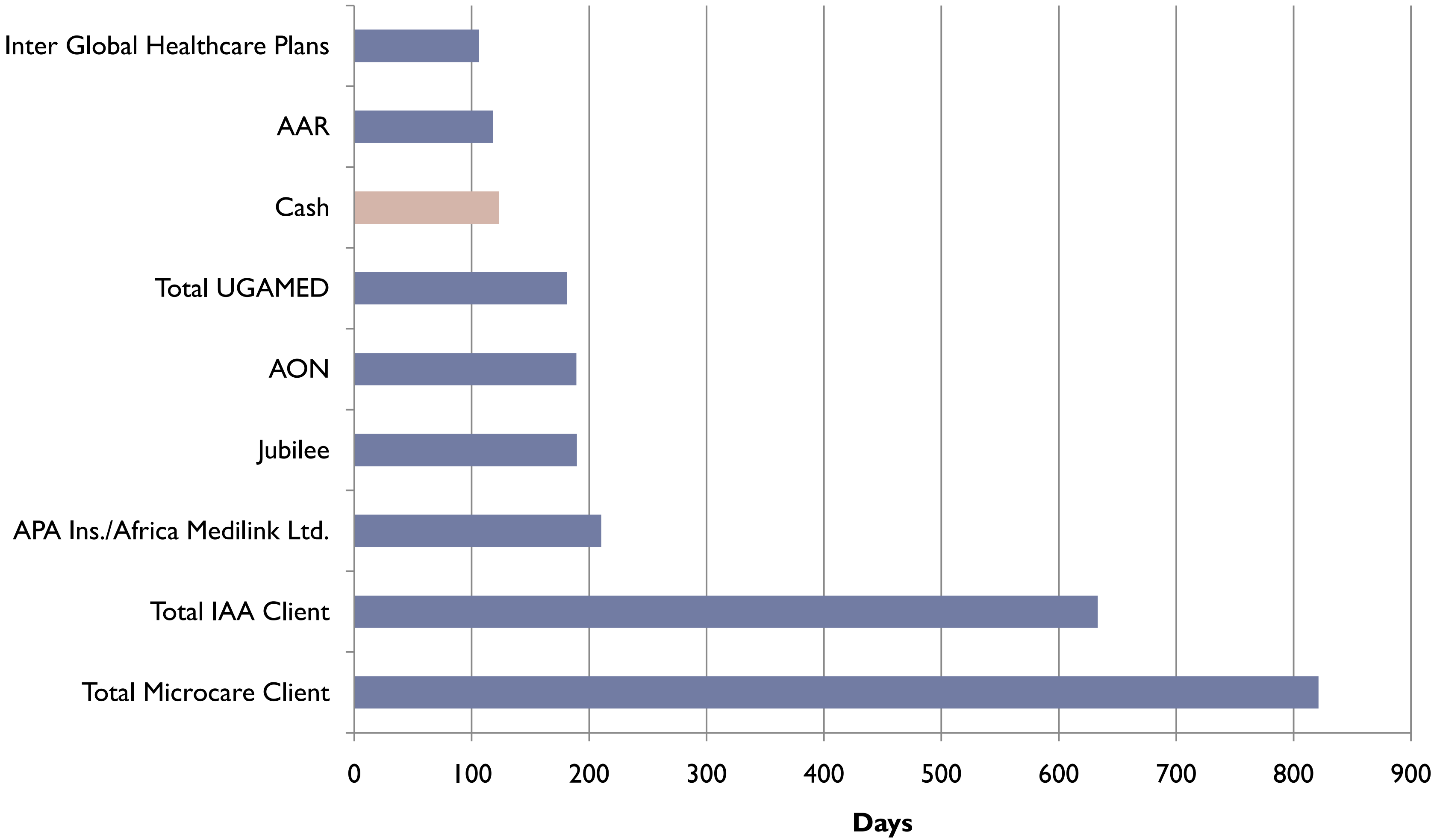
Insurance payment type has the weakest cash inflow.

Finance: 2009
Age of Receivables by Payment Type



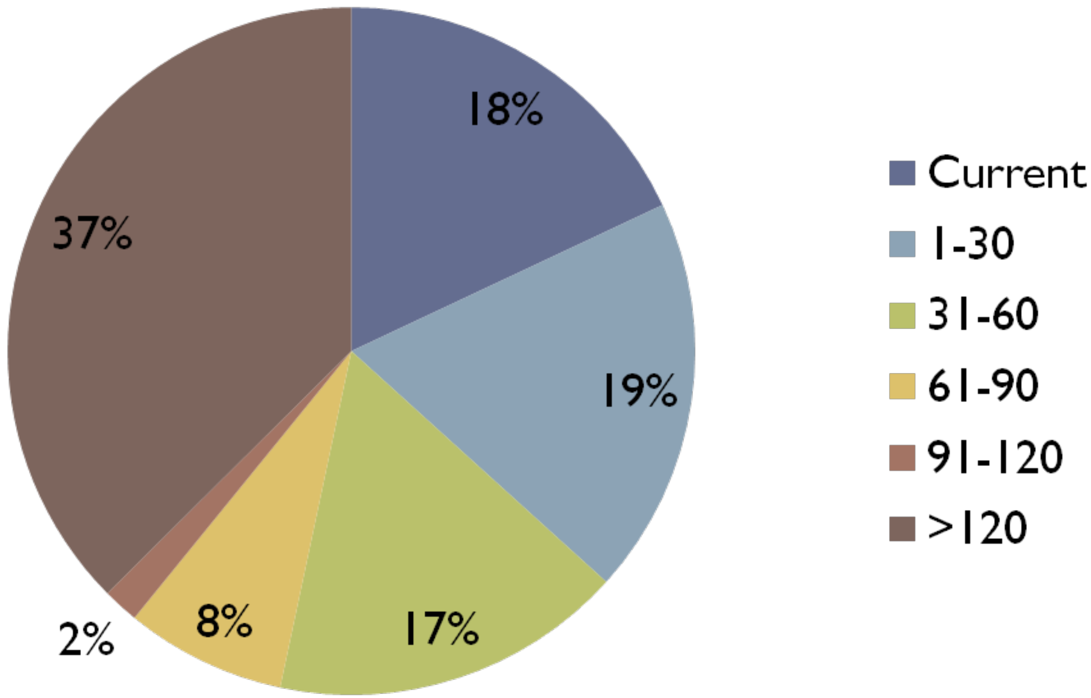
Insurance payment type takes the most days on average to collect.

Finance: Average Days to Collect Cash vs. Insurance



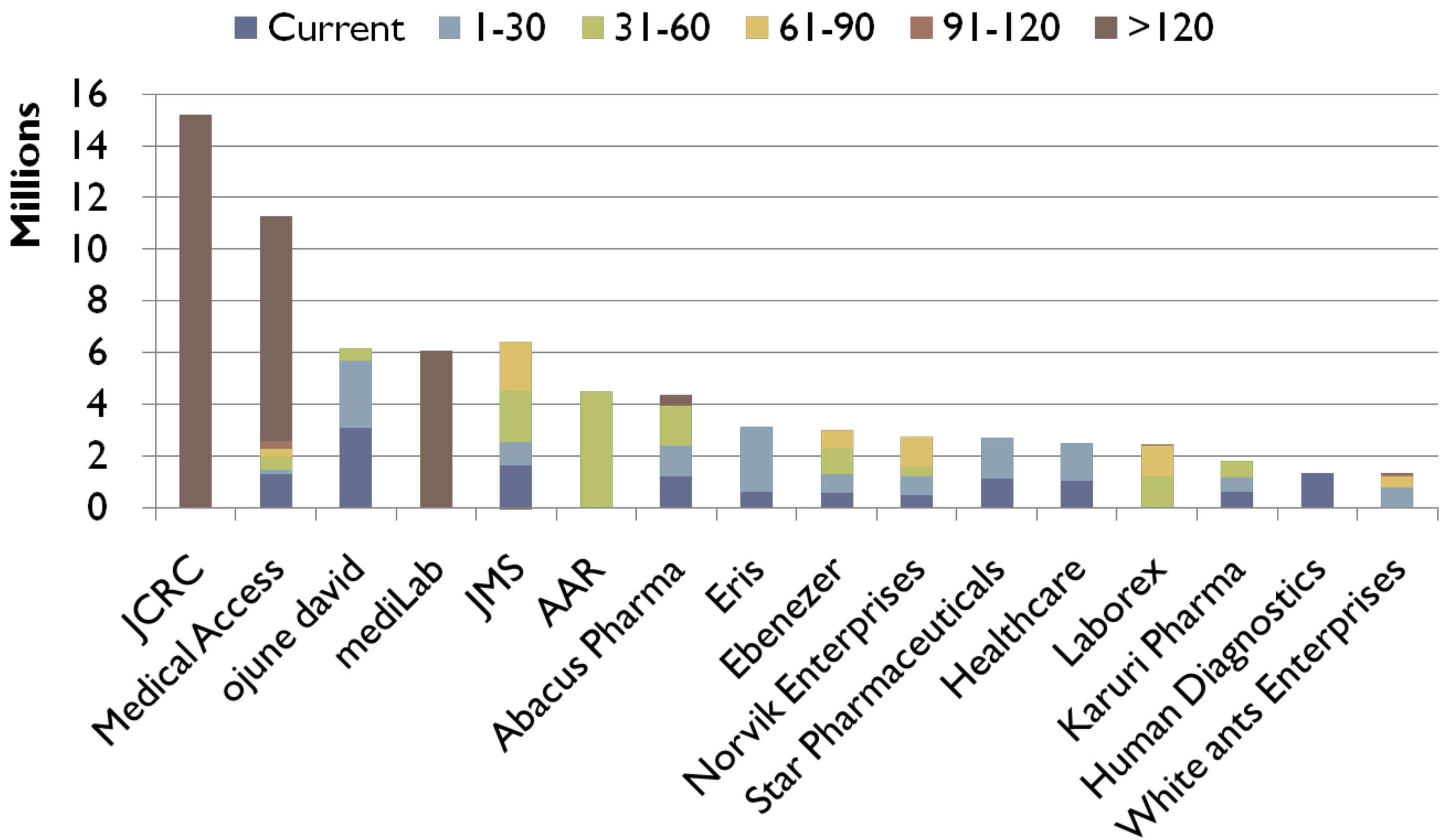
Cash collection is better than most insurance payment collection.

Finance: Current Snapshot
Days Payable (Jan-Sept 2009)



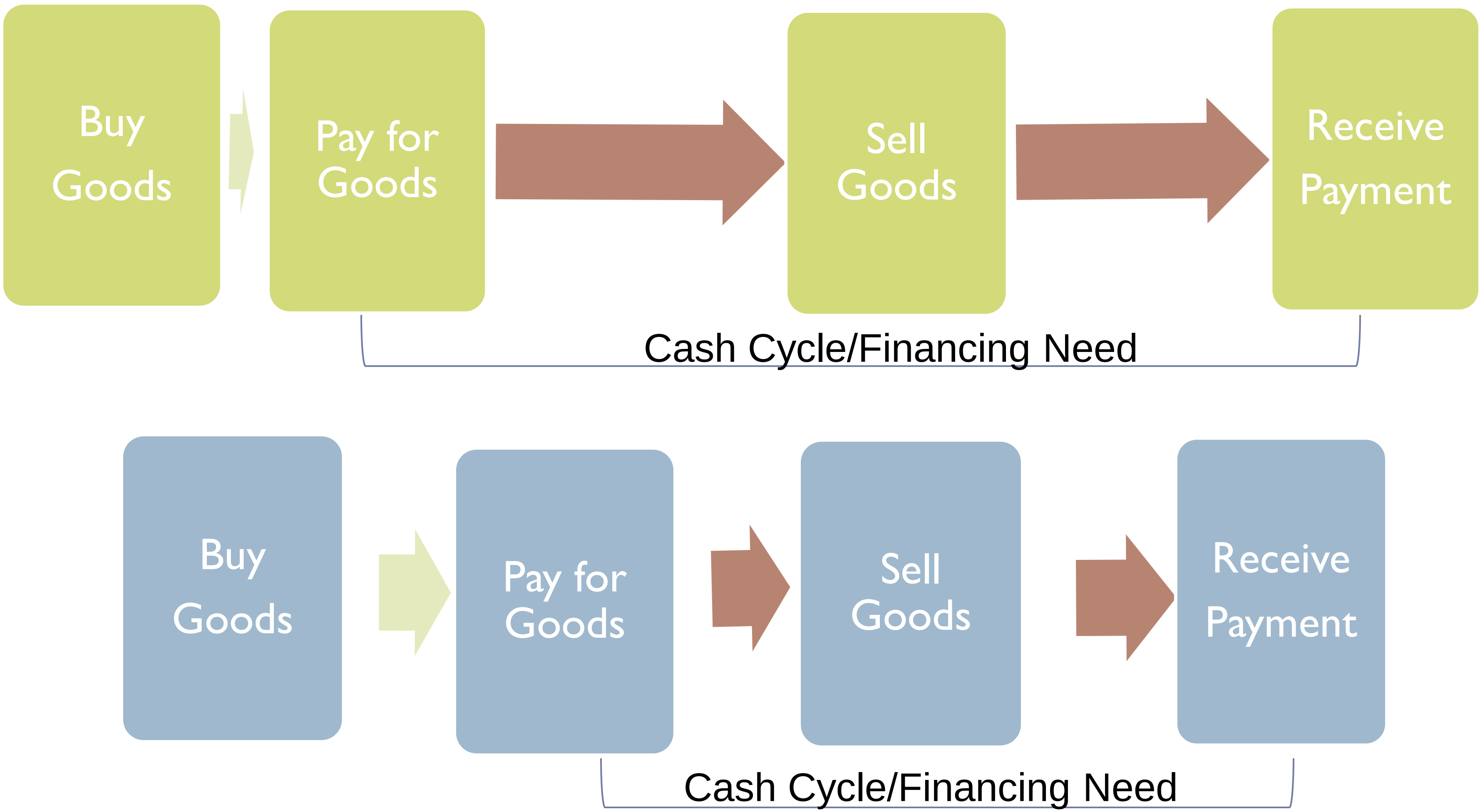
Monitor payment schedule to achieve effective credit management and to maintain relationships.

Finance: Current Snapshot
Days Payable by Supplier (Jan-Sept 2009)



Largest suppliers are paid late – don't strain those relationships.
Better to diversify payments across different suppliers.

Finance: Importance of the Cash Cycle



A shorter cash cycle reduces needs for financing and increases cash resources for future investment opportunities.

Finance: Recommendations

- Track Financial Metrics

- Decrease Cash Cycle
  - Cash payments have a shorter collection period than most insurance payments
  - Postpone payment of payables as long as possible

- Use QuickBooks more as a management tool
  - Enter all transactions and use financial analysis reports