

For Business Owners who want monthly updates

2021/03

Your Company

**MONTHLY
REPORT**

PREPARED
BY:



MIND DUMP

INDEX

- **Modifications;** what we changed to make your report more meaningful
- **Targets;** we determined the targets to use as a baseline to compare results
- **Key Performance Indicators (KPI);** We add, delete and remove KPI's so you can zero in on the ones that matter most to your company
- **Financial Profitability;**
- **Summary;** We summarize your top 3 revenue numbers.
- **Explanations;** how they related to each other what events caused them
- **Recommendations;** We will recommend changes you should make to improve them.
- **Revenue Charts;**
- **Revenue** actual vs revenue budgeted
- **Net Income** vs net income budgeted
- **Total Expenses** vs total expenses budgeted
- **Forecast;** we forecast how these numbers will look going forward if there are no changes. We use this forecast to decide if we should make changes so the outcome forecast will be more in line with expectations
- **Revenue Breakdown;** Categories your revenue came from
- **Total Revenue YTD;** We project the future revenue for your company based on the year to date history. We adjust this each time we review the monthly reports with you.
- **Expense charts;** Total expenses
 - Top 5 expenses
 - Forecast of what the expenses will look like going forward if we don't change anything
- **Equity charts;** We explain how much you owe and how much you own.
 - Short term debt - how much money you will need in the next year
 - Long term debt - how much money you will need after the next year
- **Explanation of assumptions;** we explain the assumptions we used to arrive at your targeted outcomes and forecast for the future
- **Profit & Loss;** We show you line by line where your numbers were up or down based on
 - the budget and previous month. We also show you how these numbers compare year to date.
- **Supporting Financial Documents;** These are the financial documents used to arrive at our conclusions and recommendations



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We explain why and how we modified your report

Modifications to your custom financial report

General modifications:

We made both the profitability and growth targets static. After we establish financial goals for (this will happen after we get a track record of the sales pro progress) we will work backward to calculate what goals need to be hit on a monthly basis and at what growth rates. Otherwise, we can simply switch them back to being automatically generated by the forecast. Ideally, both methods will produce the same results once we further refine the forecast to incorporate the right goals and assumptions (of which I am still waiting for feedback on from you or the owner).

Regarding the stimulus money, our first instinct is to not go through the trouble of separating them. As of now, our **immediate goal** remains to **reach stable profitability**. Regarding monitoring the D/E, we are planning ahead for the medium-term. By then the stimulus loan might look much different after Unlock begins to use some of it and re-evaluate how much will be kept.

We'll spend a bit of time taking a closer look at the exact revenue figure to aim for (assuming we would want enough to still break-even in the event a salesperson is hired and needs time to ramp up)

These financials are an estimate based on what's needed to break-even roughly averaging the last 2 month's expenses, they are adjusted to recent events to establish a realistic baseline to compare growth to the current economy, not prior years.

Removals:

- We removed the asset usage ratios because they don't seem to be useful because Unlock Legal does not have any meaningful non-current assets nor need to be managing their assets and removed them from the list for now.
- We removed the activity ratios for the same reasons.
- We also removed the return on equity due to it not being meaningful until the D/E ratio is positive.

Adjustments:

- We separated the Consultation, Legal Services, and Unapplied Cash Payment Income KPI's into their own "Revenue Detail" category to help with readability.
- We adjusted the current ratios and quick ratios to reflect more realistic targets (1.2 and 1.2 respectively) during the time we are still trying to achieve consistent profitability and a safety net, which is why I also adjusted the cash on hand (\$40,000) and net variable cash flow

Additions:

- We added the Debt to Equity ratio because a positive D/E ratio should be a **major goal** in the next phase of the business and this will help track that goal.
- We added the Debt Service Ratio so that we can keep an eye on the debt and keep it from reaching unsustainable levels. It will also help us in seeing how long we need to reach a positive D/E ratio.
- We created a Return on Marketing KPI that helps keep track of how the marketing spend correlates to increases in revenue, in order to ensure it is bringing the desired results. This can be made more useful once we can keep better track of sales and attribute revenue to specific marketing expenses.

Future Considerations:

- In the future when more employees are hired (assuming this is the goal) then we will begin tracking more operational metrics by looking at billability of employees as well as taking a closer look at average client spending and acquisition costs to better concentrate efforts. We can also look at client satisfaction and referrals. For now, we have focused more on simply reaching profitability



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We calculate target numbers as a baseline to compare your results

	RESULT	TARGET	TREND		
A PROFITABILITY	JUN 2020				vs TARGET
Total Revenue	\$25,999	\$25,000	✓	▲	4%
Expense-to-Revenue Ratio *	118.33%	96%	✗	▲	22.33%
Breakeven Margin of Safety	(\$4,907)	\$1,000	✗	▼	(\$5,907)
B REVENUE DETAIL					
Consultation	\$5,084	\$7,669	✗	▼	-33.7%
Legal Services	\$20,900	\$17,641	✓	▲	18.5%
Unapplied Cash Payment Income	\$749	\$260	✓	▲	188.2%
C EFFICIENCY					
Return on Capital Employed	-38.12%	10%	✗	▼	-48.12%
Return on Marketing	2.39	2.00	✓	▲	0.39
D LIQUIDITY					
Current Ratio	0.52:1	1.20:1	✗	▼	-0.68:1
Quick Ratio	0.48:1	1.00:1	✗	▼	-0.52:1
E COVERAGE					
Debt Service Ratio *	-	-	-	-	-
F GEARING					
Debt to Equity *	-148.98%	100%	✓	▼	-248.98%
G CASH FLOW					
Cash on Hand	\$134,043	\$0	✓	▲	\$134,043
H GROWTH					
Revenue Growth	0.5%	-5.36%	✓	▲	5.86%
Expense Change *	34.14%	11.7%	✗	▲	22.44%
Net Income Growth	-239.6%	-100.63%	✗	▼	-138.97%
Equity Change	0.13%	0.8%	✗	▼	-0.67%

* For this metric, a result below target is favourable



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KPI Reference document to help you understand what they mean

MIND DUMP Explanation of KPI's

Profitability Ratio - A measure of the proportion of revenue that is left after deducting all expenses. This excludes finance costs and tax expenses. The profitability ratio can be further improved by improving price, volume, cost and expense management.

Accounts Receivable Days - A measure of how long it takes for the business to collect the amounts due from customers. A lower number indicates that it takes the business fewer days to collect its accounts receivable. A shorter time to collect debtors has a positive impact on Cash Flow. A higher number indicates that it takes longer to collect its accounts receivable.

Return on Capital Employed - A measure of the efficiency and profitability of capital investment (ie. funds provided by shareholders & lenders). ROCE monitors the relationship between the capital ('inputs') used by the business and the earnings ('outputs') generated by the business. ROCE is arguably one of the most important performance measures. The higher the result the greater the return to providers of capital.

Working Capital Absorption - A measure of the adequacy of working capital to support sales activity. This measure indicates the investment made in working capital for each unit of revenue. The trend of this ratio is particularly useful for growing businesses. If sales increase rapidly but working capital levels remain constant, the business may be at risk that insufficient working capital is available to support this growth. Moreover, if the result for this metric is greater than the Gross Profit Margin %, then for every additional unit of Revenue generated, additional cash will be required.

Current Ratio - A measure of liquidity. This measure compares the totals of the current assets and current liabilities. The higher the current ratio, the greater the 'cushion' between current obligations and the business's ability to pay them. Generally a current ratio of 2 or more is an indicator of good short-term financial strength. In other words, the current assets of the business should be at least double the current liabilities.

Quick Ratio - The Quick Ratio measures the availability of assets which can quickly be converted into cash to cover current liabilities. Inventory and other less liquid current assets are excluded from this calculation. The Quick Ratio is a measure of the ability to pay short-term creditors immediately from liquid assets. A quick ratio of 1:1 or more is considered 'safe'.

Cash on Hand - A measure of the cash and cash equivalents in actual possession by the company at a particular time. Insufficient cash reserves may result in an inability to pay creditors and cover current liabilities.

Net Variable Cash Flow - A measure of the additional cash that will either be generated or used up by the next \$100 of products or services that the business sells. If the Net Variable Cash Flow is positive then for every additional \$100 of revenue the business will generate cash. If the Net Variable Cash Flow is negative then for every additional \$100 of revenue the business will require additional cash funding.

Revenue Growth - A measure of the percentage change in revenue for the period. Management should ensure that revenues increase at rates higher than general economic growth rates (ie. inflation).

Gross Profit Growth - A measure of the percentage change in gross profit for the period.

EBIT Growth - A measure of the percentage change in EBIT for the period. A combination of growth in revenues and growth in profits presents a balanced measure of growth.

REMOVED

Asset Turnover - A measure of how effectively the business has used its assets to generate revenue. Ways to improve this metric include increasing sales using the same asset base, using capital more efficiently, and/or improve cash management by reducing inventory and receivables.

Activity Ratio - A measure of the efficiency or effectiveness with which the business manages its resources or assets. This measure indicates the speed with which Net Operating Assets (Equity + Debt) are converted or turned into sales. This can be improved by optimizing balance sheet efficiency, ie. by reducing the investment in working capital, selling-off any unused assets, or by seeking ways to maximize the use of assets.

Return on Equity - A measure of how effectively the business has used the resources provided by its owners to generate profits. The higher the ratio the greater the rate of return for shareholders.



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We explain how to improve profitability

Profitability Summary

Summary:

June 2020 saw a loss of (\$4,907) due to a flat revenue with an increase in the officer salary (\$5000 versus budgeted \$2500), Advertising & Marketing (\$10,896 versus budgeted \$8,988), and Salaries & Wages (\$9,566 versus budgeted \$7,815).

A dip in profitability was expected for any month where an additional office worker was initially hired. As such, this month's lower profitability is not yet a cause for concern. This is only if revenues continue to increase in the following three months and the profitability can stabilize with a margin of safety. Next month the goal is to decrease the Expenses to Revenue ratio by ramping up the new hire into their role and increasing revenues. If we begin to stray from our projections then adjustments will need to start being made.

Explanation:

The officer salary increased to \$5000 this month, most likely to compensate for the lack of withdrawals from February to April. A consistent \$2500/month is budgeted for the rest of the year, although this can be adjusted.

Advertising & Marketing was \$1908 higher than expected, primarily due to an increase in Provisors (\$1200) and Digital Advertising (\$708). Short-term spikes in this area make sense as revenue targets increase for the second half of 2020.

Payroll expenses increased to be \$1750 higher than budgeted due to the hiring of a new office staff earlier than expected (original assumption was July, later changed to August).

Some minor savings were found in obvious areas related to office expenses and utilities.

Recommendations:

Expenses are now close to their projected levels following the new hire, and should not continue to increase substantially. It is now time to increase revenues to follow.

The months following the new hire will have to be watched closely to ensure that revenues increase at a rate faster than expenses.

If revenues do not increase at the projected rate, next month we will begin pinpointing which expenses can be adjusted to be made more lean and increase profitability.

If following a sufficient "ramp-up" period revenues do not increase enough to justify the increase in salary expenses, a closer look will need to be taken at the role and what adjustments need to be made to it.

A full line-by-line breakdown of the June 2020 Profit and Loss can be found at the end of the report.

TOTAL REVENUE

\$25,999

▲ 0.5% from last month



A measure of the total amount of money received by the company for services provided.

EXPENSES TO REVENUE RATIO

118.33%

▲ 31.55% from last month



A measure of how efficiently the business is conducting its operations.

BREAKEVEN MARGIN OF SAFETY

(\$4,907)

▼ -243.2% from last month



The breakeven safety margin represents the gap between the actual revenue level and the breakeven point. In other words, the amount by which revenue can drop before losses begin to be incurred.

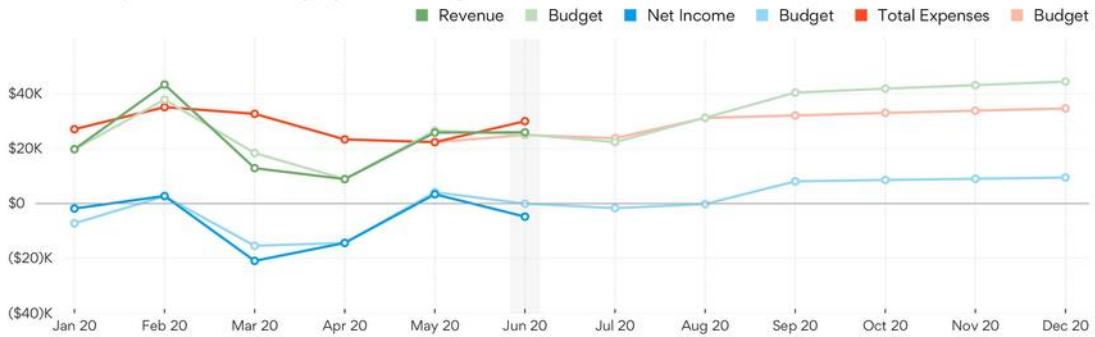


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We show you how your revenue numbers look today vs the future

Revenue Charts

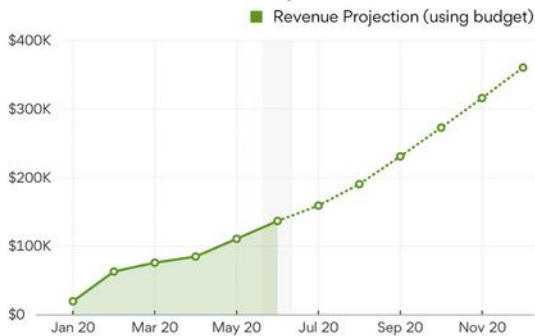
Revenue Expenses, and Profit projection (using forecast)



Revenue breakdown



Total Revenue YTD + rest of year forecast



Expense-to-Revenue (%)



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We show you how your expenses look today vs the future

Expenses Charts

EXPENSES

\$30,027

▲ 34.1% from last month



Top 10 Expenses

Salaries & Wages (EMP)	\$8,302
KWSM	\$5,500
Officer Salary	\$5,000
Rent Expense	\$3,052
Digital Advertising	\$1,811

Expenses for all time



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We show you how much you "owe" and "own"
so you will know how long your cash will last

Equity Charts

TOTAL ASSETS

\$151,681



TOTAL DEBT

\$278,867

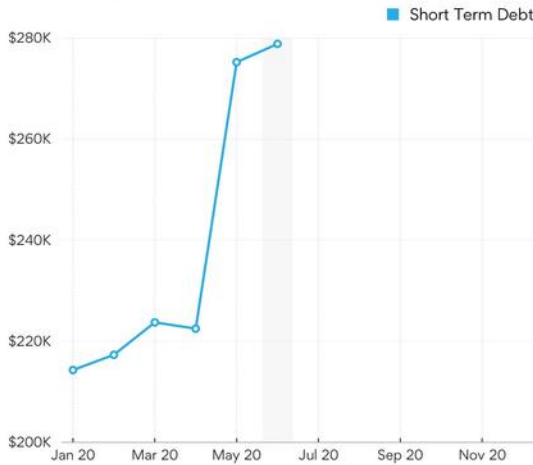


TOTAL EQUITY

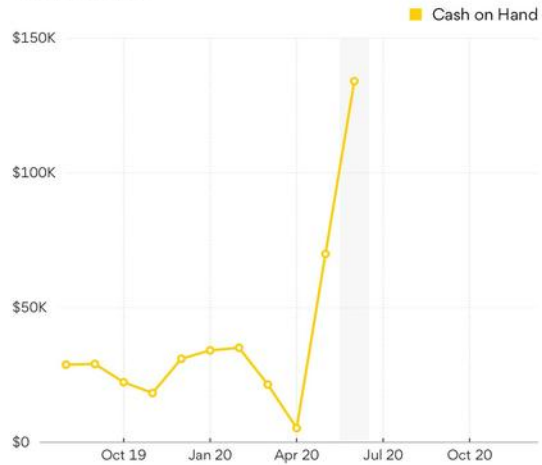
(\$187,186)



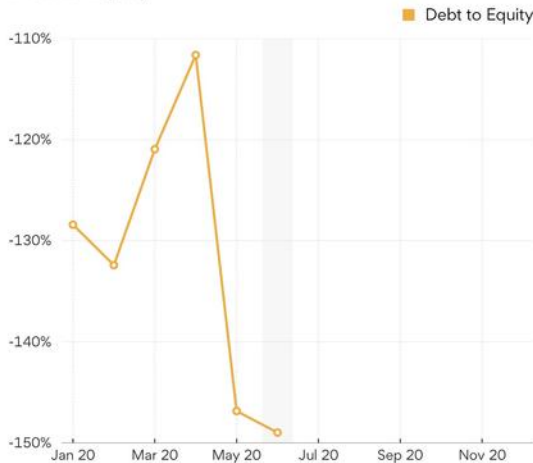
Short Term Debt



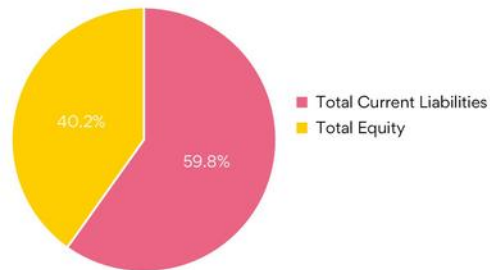
Cash Position



Debt to Equity



Total Liabilities & Equity



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We show you how to make line item improvements on your P&L

Explanation of Assumptions

Salesperson assumptions:

The assumption is that a salesperson will be hired in **August**, and will take **3** months to reach peak productivity. This is reflected by a performance of **33%** in the first month, **66%** in the second month, and **75%** in the third month.

Sales fee per consultation - \$50 - This is assuming they will earn \$50 for each set they bring in, regardless of whether it is converted successfully. This translates into \$500/month paid as commission.

Average monthly sets - 10 - This is assuming they will be able to double the current average of 9.6 sets per month.

Average quote value - \$3,109 - This has been the average for successful quotes given and is used to estimate the potential revenue generated by a dedicated salesperson.

Average conversion of quotes - 80% (from 58%) - This assumes that due to more time and skills the salesperson will achieve a successful conversion rate of 80% on the sets they are able to generate.

General assumptions:

Monthly % growth in revenue - 3% - This number is difficult to estimate until a stable baseline is established. For now, this should work as an estimate for a rapidly growing company until a more accurate estimate can be calculated.

Monthly % growth in expenses - 3% - This number will no longer be needed once a baseline is established for all expenses. For now, it will continue to be adjusted for accuracy as needed.

Gross profit margin - 96.35% - This was estimated by averaging the last 12 months of operations.

PROFIT & LOSS	Jun 2020	Budget (Jun 2020)	Budget Variance (\$)	2020 YTD	Budget (Year)
Revenue					
Legal Services					
Legal Services	\$20,900	\$20,900	\$0	\$123,826	\$337,686
Unapplied Cash Payment Income	\$749	\$0	\$749	\$0	\$0
Consultation	\$5,084	\$4,587	\$497	\$15,286	\$26,621
PIF Courtesy	(\$734)	(\$294)	(\$440)	(\$2,185)	(\$3,703)
Total Revenue	\$25,999	\$25,193	\$806	\$136,928	\$360,605
Cost of Sales					
Appearance Attorney	\$0	\$0	\$0	\$339	\$339
Merchant Services Fees	\$739	\$371	\$368	\$2,425	\$4,527
Total Cost of Sales	\$739	\$371	\$368	\$2,764	\$4,866
Gross Profit	\$25,260	\$24,822	\$438	\$134,164	\$355,738
Expenses					
Advertising & Marketing					
Business Development	\$0	\$0	\$0	\$235	\$235
Center Club	\$285	\$285	\$0	\$2,015	\$3,931
Digital Advertising	\$1,811	\$1,103	\$708	\$7,283	\$13,921
KWSM	\$5,500	\$5,500	\$0	\$33,700	\$69,276
Meals and Entertainment	\$0	\$0	\$0	\$308	\$368
Provisors	\$1,800	\$600	\$1,200	\$1,820	\$4,617
Referral Fee	\$0	\$0	\$0	\$1,070	\$1,070
SEO Consultant	\$1,500	\$1,500	\$0	\$9,000	\$18,000
Total Advertising & Marketing	\$10,896	\$8,988	\$1,908	\$55,430	\$111,418



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We show you how to improve each line item on your P&L

	Jun 2020	Budget (Jun 2020)	Budget Variance (\$)	2020 YTD	Budget (Year)
Business Licenses	\$0	\$0	\$0	\$80	\$252
Employee Wages	\$300	\$0	\$300	\$300	\$0
General and Administrative					
Computer/Software Expense	\$38	\$50	(\$13)	\$1,972	\$2,358
Outside Services	\$0	\$0	\$0	\$1,370	\$1,784
Dues and Subscriptions	\$0	\$0	\$0	\$509	\$509
Office Expense	\$5	\$71	(\$65)	\$532	\$1,069
Postage and Shipping	\$8	\$8	\$0	\$35	\$53
Professional Fees					
Tax Preparation	\$0	\$0	\$0	\$1,600	\$4,187
Rent Expense	\$3,052	\$3,052	\$0	\$12,173	\$23,117
Total General and Administrative	\$3,103	\$3,181	(\$78)	\$18,191	\$33,076
Insurance					
Health Insurance	(\$327)	\$610	(\$937)	\$2,102	\$7,102
Liability	\$25	\$151	(\$126)	\$528	\$1,415
Malpractice	(\$209)	(\$209)	\$0	(\$633)	(\$1,084)
Total Insurance	(\$511)	\$552	(\$1,063)	\$1,997	\$7,433
Meals and Entertainment	\$0	\$0	\$0	\$27	\$27
Strategic Adviser	\$900	\$900	\$0	\$4,770	\$6,711
Payroll Expenses					
Payroll Processing Fees	\$122	\$70	\$52	\$652	\$1,171
Payroll Taxes	\$1,142	\$577	\$564	\$6,312	\$9,169
Salaries & Wages					
Salaries & Wages (EMP)	\$8,302	\$7,168	\$1,134	\$62,344	\$144,361
Total Payroll Expenses	\$9,566	\$7,815	\$1,750	\$69,307	\$154,701
Repairs & Maintenance					
Repairs & Maintenance	\$0	\$0	\$0	\$68	\$68
Telephone	\$85	\$46	\$39	\$738	\$1,094
Officer Salary	\$5,000	\$2,500	\$2,500	\$10,000	\$22,500
Parking/Toll	\$30	\$30	\$0	\$64	\$129
Hotel	\$0	\$0	\$0	\$566	\$566
Car Rental	\$0	\$0	\$0	\$44	\$44
Overdraft Fee	\$0	\$0	\$0	\$66	\$137
Administrative Fee	\$70	\$60	\$10	\$55	\$250
IT	\$218	\$430	(\$213)	\$1,285	\$2,773
Accounting	\$285	\$285	\$0	\$2,274	\$4,322
Trash	\$24	\$52	(\$28)	\$146	\$393
Water	(\$50)	\$0	(\$50)	\$603	\$732
Electricity	(\$8)	\$44	(\$53)	\$35	\$228
Gas	\$15	\$15	\$0	\$266	\$479
Internet/Cable	\$105	\$105	\$0	\$625	\$1,304
Commission	\$0	\$0	\$0	\$1,899	\$3,940
Hiring Expense	\$0	\$0	\$0	\$45	\$90
Small Furniture	\$0	\$0	\$0	\$311	\$311
Graphic Design	\$0	\$0	\$0	\$100	\$100
Management Svcs	\$0	\$0	\$0	\$1,504	\$1,504
Total Expenses	\$30,027	\$25,003	\$5,024	\$170,796	\$354,581
Operating Profit	(\$4,767)	(\$181)	(\$4,586)	(\$36,632)	\$1,158
Other Income					
Parking Reimbursement	\$0	\$0	\$0	\$600	\$600
Tax Refund	\$14	\$155	(\$141)	\$465	\$1,638



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We show you how to improve your bottom line profitability

	Jun 2020	Budget (Jun 2020)	Budget Variance (\$)	2020 YTD	Budget (Year)
Earnings Before Interest & Tax	(\$4,753)	(\$26)	(\$4,727)	(\$35,567)	\$3,396
Interest Income					
Interest Income	\$0	\$0	\$0	\$0	\$0
Earnings Before Tax	(\$4,753)	(\$26)	(\$4,726)	(\$35,567)	\$3,396
Tax Expenses					
General and Administrative					
State	\$0	\$0	\$0	\$14	\$44
Earnings After Tax	(\$4,753)	(\$26)	(\$4,726)	(\$35,581)	\$3,352
Net Income	(\$4,753)	(\$26)	(\$4,726)	(\$35,581)	\$3,352



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We calculate spreadsheets to use as your baseline numbers

Spreadsheets; We generate 5 detailed spreadsheets that provide the foundation for your budgets and targets.

Historical Averages Spreadsheets;

We look at the historical numbers and percentages separately to paint a clear picture of how you got to your current financial position

Account List spreadsheets from your accounting software;

During our analysis of your account list we often find discrepancies overlooked prior to our investigation

Profit and loss spreadsheets;

The future will be based on the past combined with your vision

Balance sheet spreadsheets;

We blend your balance sheet and P&L to accurately define your KPI'S that will mean the most to you

We help you understand if you can afford to spend money **BEFORE** you commit your cash

Profit and Loss Fo		Salesperson					
January 1 - December 31,		8/1/2020	9/1/2020	10/1/2020	11/1/2020	12/1/2020	Total
		Projection	Projection	Projection	Projection	Projection	Projection
McCro	McCroskey Legal Reimbursement (deleted) Prior Year Adjustment (deleted)	0.00	0.00	0.00	0.00	0.00	0.00
Total	Total Other Income	\$ 159.60	\$ 164.39	\$ 169.32	\$ 174.40	\$ 179.63	\$ 2,067.28
Other	Other Expenses	0.00	0.00	0.00	0.00	0.00	0.00
91000	91000 Depreciation Expense	0.00	0.00	0.00	0.00	0.00	0.00
91100	91100 Reconciliation Discrepancies	0.00	0.00	0.00	0.00	0.00	0.00
99999	99999 Ask My Accountant	0.00	0.00	0.00	0.00	0.00	0.00
Total	Total Other Expenses	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Net O	Net Other Income	\$ 159.60	\$ 164.39	\$ 169.32	\$ 174.40	\$ 179.63	\$ 2,067.28
Net I	Net Income	\$ 22.63	\$ 9,150.47	\$ 9,619.70	\$ 10,014.39	\$ 10,420.92	\$ 9,969.33

