

## Financial Reporting Beyond The Budget

August 21, 2018

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PRESENTED BY:

*PLAIN LANGUAGE® WEBINARS*  
CRITICAL TOPICS, EXPERT ANALYSIS,  
PRACTICAL ANSWERS.

SPEAKER:

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## Agenda

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- ❖ The Purpose
- ❖ Gathering Data
- ❖ Understanding Data
- ❖ Reporting Data



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*"Intelligence solves problems and produces money.  
Money without financial intelligence is money  
soon gone." – Robert Kiyosaki*

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### The Purpose

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- **Understanding**
  - Where \$\$ Comes From
  - Health of Firm
  - Are Processes Working
- **Profitability**
  - What Clients
  - What Cases
  - Where is the Best Place to Find Them
- **Staffing**
- **Are You Using Marketing Dollars Wisely**



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### Gathering Data

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- ❖ Marketing Data
- ❖ Client Intake Forms
- ❖ Time and Billing Software
- ❖ Financial Accounting Software

Garbage In; Garbage Out

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## Marketing Information

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MARKETING BUDGET?  
WHERE/HOW WILL FIRM MARKET?  
WHERE WILL INDIVIDUAL ATTORNEYS MARKET?  
HOW MUCH ACTIVITY ON WEBSITE?

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## Client Intake Form

HOW DID THE CLIENT FIND YOUR FIRM?  
 HOW DID YOUR ATTORNEY FIND THE CLIENT?  
 WHAT TYPE OF CASE?  
 RETAINER?  
 HOW MANY CASES ARE OPENED MONTHLY?

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## Time Report

D. Camacho January, 2018

Sun	Mon	Tue	Wed	Thu	Fri	Sat
	5.5 B 2.0 N	4.5 B 1.0 N	4.75 B 3.0 N	4.75 B 3.0 N	5.5 B 1.0 N	2.75 B
3.25 B	5.5 B 2.0 N	4.5 B 1.0 N	4.75 B 3.0 N	4.75 B 3.0 N	5.5 B 1.0 N	
	5.5 B 2.0 N	4.5 B 1.0 N	4.75 B 3.0 N	4.75 B 3.0 N	6.5 B 1.0 N	
	5.5 B 2.0 N	4.5 B 1.0 N	4.75 B 3.0 N	4.75 B 3.0 N	6.5 B 1.0 N	
	5.5 B 2.0 N					

Billable: 109.5  
 Non-Billable: 42

Annual Billing Requirement 1,800  
 Monthly Average 150

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## Weekly Hours Report

Billable	Sat/Sun	Monday	Tuesday	Wednesday	Thursday	Friday
D. Camacho	4.5 B	3.4 B	7.4 B	3.7 B	4.8 B	8.4 B
M. Mouse		0.4 B	3.0 B		1.0 B	
S. Spade	7.9 B	1.0 N	2.2 N	6.0 N	6.2 N	1.0 N
M. Monroe		5.4 B	3.8 B	7.4 B	8.4 B	4.7 B
B. Costello	3.7 B	8.4 B	9.4 B	6.0 B	8.3 B	7.4 B
D. Abbot		6.7 B	8.4 B	7.4 B	0.0 B	9.4 B
		3.4 N	2.2 N	2.6 N	8.0 N	1.2 N

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## Billings By Timekeeper

January, 2018

Billers	Billable	W/Down	Billed Hours	Billed Dollars
D. Camacho	109.5	9.5	100	\$25,000
M. Mouse	127	0	127	\$31,750
S. Spade	90	15	75	\$18,500
M. Monroe	115	5	110	\$27,500
B. Costello	65	0	65	\$9,510
D. Abbott	80	5	75	\$11,250
<b>TOTALS</b>	<b>586.5</b>	<b>34.5</b>	<b>552</b>	<b>\$123,510</b>
Expected \$180,000				
Attorney	\$250/hour	1800/annual	\$450,000/annual	\$37,500/monthly
Paralegal	\$150/hour	1200/annual	\$180,000/annual	\$15,000/monthly

## Pre-Bill Summary

Client	Matter	Balance	February Billable	Over 30	Over 60	Over 90
JP Co	Sale of Stock	\$6,486.23	\$2,478.00	\$752.00	\$3,000.00	\$256.23
JP Co	Purchase of ABC Co	\$12,633.23	\$6,497.00	\$5,580.00		\$567.23
JP Co	HR Issues	\$2,567.00			\$2,567.00	
Safeway	Sale of Prescriptions	\$56.00			\$56.00	
Aniston, Jennifer	Estate Planning	\$5,068.00	\$4,300.00	\$568.00		
Aniston, Jennifer	Divorce	\$14,166.93	\$7,568.00	\$4,500.93	\$2,098.00	
SPCA	Sale of Stock	\$1,290.00	\$790.00	\$500.00		
Pitt, Brad	Divorce	\$12,780.00	\$12,780.00			
RedCap, Inc.	Purchase of BlueCap	\$6,259.00	\$6,259.00			
Traditions Co.	Investment in Library	\$22.35			\$22.35	
		\$61,348.74	\$40,872.00	\$11,909.93	\$7,743.35	\$823.46

## Accounts Receivable

Client	Matter	Balance	Current	Over 30	Over 60	Over 90	Over 120
ABC Company	Sale of Stock	\$ 9,512.46	\$ 256.23	\$ 6,000.00	\$ 3,000.00	\$ 256.23	
ABC Company	Purchase of XYZ Company	\$ 567.23				\$ 567.23	
ABC Company	HR Issues	\$ 1,256.00			\$ 1,256.00		
RX Relief	Sale of Prescriptions	\$ 5,246.23	\$ 5,246.23				
Cisneros, Jose	Estate Planning	\$ 500.00	\$ 500.00				
Cisneros, Jose	Divorce	\$ 7,598.93	\$ 1,000.00	\$ 4,500.93	\$ 2,098.00		
House Beautiful	Sale of Stock	\$ 4,296.00	\$ 3,756.00	\$ 500.00			
Long, Howie	Purchase of Raiders	\$ 52,787.04	\$ 10,567.00	\$ 8,597.36	\$ 11,254.68	\$ 22,368.00	
Update Process	Corporate Advice	\$ 5,678.23					\$ 5,678.23
Wheaties Corp.	Investment in Cherriss	\$ 2,569.35	\$ 2,569.35				
		\$ 89,971.47	\$ 23,394.81	\$ 20,098.29	\$ 17,608.68	\$ 23,191.46	\$ 5,678.23



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Accounts Payable

Vendor	Amount	Current	30 Days Past Due
Federal Express	\$335.00	\$235.00	\$100.00
Court Reporter	\$1,460.00		\$1,460.00
Office Supplies	\$568.00	\$338.00	\$230.00



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Income Report

Client	Matter	January Receipts
JP Co	Sale of Stock	\$5,734.23
JP Co	Purchase of ABC Co	\$7,064.23
JP Co	HR Issues	\$2,567.00
Safeway	Sale of Prescriptions	\$58.00
Aniston, Jennifer	Estate Planning	\$4,500.00
Aniston, Jennifer	Divorce	\$9,666.00
SPCA	Sale of Stock	\$790.00
Pitt, Brad	Divorce	\$12,780.00
RedCap, Inc.	Purchase of BlueCap	\$6,259.00
Traditions Co.	Investment in Library	\$22.35
		\$49,438.81

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Work in Progress/Process (WIP)

Client	Matter	Balance	Current	Over 30	Over 60	Over 90
JP Co	Sale of Stock	\$ 4,008.23	\$ 752.00	\$ 3,000.00	\$ 256.23	
JP Co	Purchase of ABC Co	\$ 6,156.23	\$ 3,589.00		\$ 567.23	
JP Co	HR Issues	\$ 2,567.00			\$ 2,567.00	
Safeway	Sale of Prescriptions	\$ 56.00			\$ 56.00	
Smith, Will	Estate Planning	\$ 568.00	\$ 568.00			
Smith, Will	Divorce	\$ 6,598.93	\$ 4,500.93	\$ 2,098.00		
SPCA	Sale of Stock	\$ 500.00	\$ 500.00			
Traditions Co.	Investment in Library	\$ 22.35		\$ 22.35		
		\$ 20,476.74	\$ 11,909.93	\$ 7,743.35	\$ 823.46	

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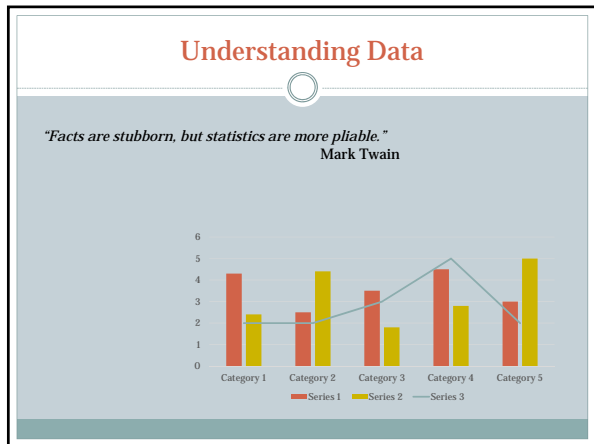
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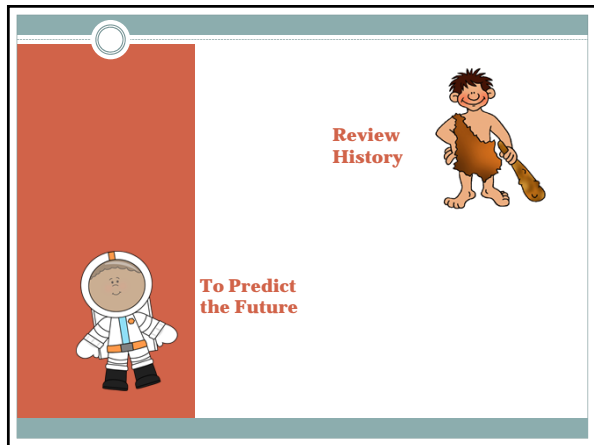
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### Realization Rate

How many hours collected  
divided by  
how many hours worked  
= realization rate.

It's only the hours that  
are collected that  
matter.

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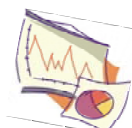
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### Realization Rate Statistics

Attorney	Worked	Billed	Collected	Realization Rate
D. Camacho	109.5	109.5	109.5	1.00
M. Mouse	127	127	110	0.87
S. Spade	90	75	73	0.81
M. Monroe	115	5	110	0.96




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### Receipts



Forward Collection Realization %  
LexisNexis - 2010

0	30 days	60 days	90 days	120 days	160 days	180 days	210 days	240 days	300 days
90.9	87.3	70.2	52.1	35.7	23.6	16.2	12.1	9.1	5.7

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### Client Complaints

Write Offs  
Discounts



- Poor Work Descriptions
- Surprise Amounts
- Poor Work
- Team Churning
- Meetings Among In-House Attorneys
- Nickel-and-Dime
- Errors
- Late Bills
- Too High Rate for Task
- Too Many People Staffed

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### What Can We Do?

Set policies to process bills ASAP  
 Time Cut Off  
 Prebills to Billing Attorneys  
 Be Sure Correct Information  
 Finalized Bills Mailed/Emailed  
 Small Bills

Know which Clients have Special Billing Requirements  
 Uniform Task-Based  
 Corporate Clients  
 Insurance Companies  
 Appropriate Software  
 Appropriate Training



Be Aware and Help if Possible  
 What time is being written off and why

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### Utilization Rate



Attorney	Worked	Target	Utilization
D. Camacho	109.5	150	.73
M. Mouse	127	150	.85
S. Spade	90	150	.60
M. Monroe	115	150	.77

How Many Hours Worked  
 divided by  
 Billable Hour Requirement

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### What Can We Do?

Be Aware  
 > Who is not meeting hours requirement  
 > Is there a short-term reason (big case closed)  
 > Is there a sudden drop off that is out of character  
 > Has he/she never met hours

Ask Questions  
 > Who does he/she get work from?  
 > What is happening with that person?  
 > Is training needed?  
 > Does that person need help finding work from others in firm?  
 > Does the MP notice?



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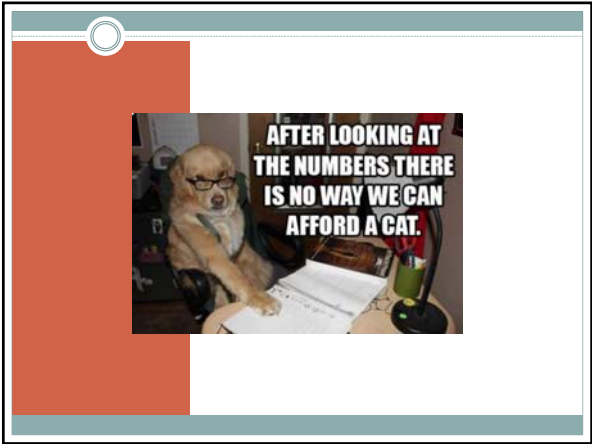
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**BOTTOM LINE**

~~HOW MANY HOURS WORKED.~~  
~~HOW MANY HOURS BILLED.~~  
HOW MANY HOURS COLLECTED.

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**Reporting Data**

**WEEKLY**  
HOURS REPORT  
CASH REPORT

**MONTHLY**  
BILLING REPORT  
ACCOUNTS RECEIVABLE REPORT (AR AGING)  
WORK IN PROCESS (WP)

**QUARTERLY**  
WRITE-OFF / WRITE-DOWN  
UTILIZATION REPORT  
REALIZATION REPORT  
NEW CASES PER MONTH

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### Calculating Monthly Income

How long does it take to collect a dollar?



Month	Dollar Billed	Feb Coll	Mar Coll	April Coll	May Coll	June Coll	July Coll	Aug Coll
Jan	100,000	70,000	20,000	10,000	5,000	5,000		
Feb	100,000		70,000	20,000	10,000	5,000	5,000	
Mar	100,000			70,000	20,000	10,000	5,000	5,000
April	100,000				70,000	20,000	10,000	10,000
May	100,000					70,000	20,000	10,000

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### Cash Position

How much do you have?

- What is in the bank
- What is expected

How much do you need?

- What bills to pay
- What bills to hold

Week of January 4

Bank Balance	\$100,000
Uncleared Checks	<u>(15,000)</u>
Available Cash	\$ 85,000
Weekly Payables	\$ 75,000
Cash Balance	\$ 10,000

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### Monthly Snapshot

February

Sun	Mon	Tue	Wed	Thu	Fri	Sat
31	Rent Time Cut-off		Prebills		Pl. Ins. Bills Pull from Trust	
7				Payroll		
14	Health Insurance		Credit Card			
21	Loan Collections			Payroll		
28						

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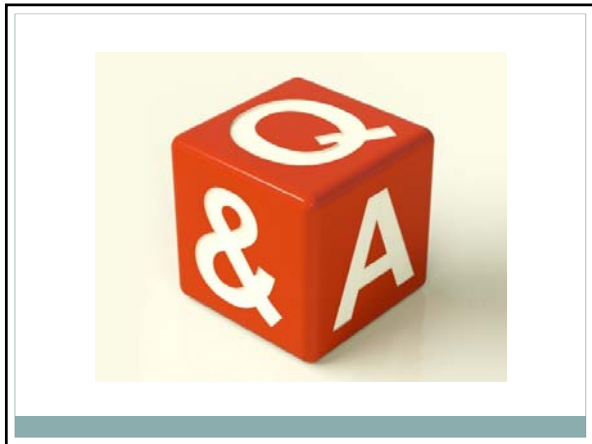
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