

## Financial Literacy for Behavioral Health Agencies

### What to ask and what to monitor:

- Is your organization bringing in more money than is going out in expenses?
  - How do you know? Net Income (NI) on P&L (“Income Statement”) for a period (calendar year, fiscal year, month, etc..)?
  - If NI negative: than hard time meeting expense obligations including payroll, incur debt, tap into reserves
  - If NI positive: more \$ in cash reserves or to invest in staff, equipment, client assistance
- Do you have cash reserves to cover expenses for x months or x payrolls?
  - Should consider **total** payroll: salary, benefits and taxes
  - How do you know? Balance Sheet for current assets; P&L to determine monthly expenses
- How much money is owed to you, but you have not received it yet?
  - A/r days – days to bill (within provider’s control), days to pay
  - Goal: Get the money as fast as you can.
  - Balance on grants, need to be aware of expiration dates for grants

### Organization should have:

- Bookkeeper
- CPA. Preferably doing more than just taxes
- “financial staff” – someone reviewing financial statements, health of the organization, etc..
- Billing Staff – submitting clean claims, working EOBs and denials
- Billing Policy: progress notes submitted within x days of service
- Grant management. Invoicing, reporting, etc...
- Risk management – are you properly insured?
- Budget – including reviewing actuals vs budget

### Things to google/ watch on youtube:

- Intro to Financial Statements
- Intro to Income Statements
- Intro to Balance Sheet
- Accounts Receivable

**TERMS:**

**P&L:** A Profit and Loss statement, sometimes referred to as the Income Statement, shows an organization's revenue and expenses for a period of time. The report is broken down into categories like "Direct Service Revenue", "Payroll Salaries", and "Rent". These categories make up what accountants call the "Chart of Accounts".

**Balance Sheet:** A financial statement that can be used to determine the financial health of an organization at a point in time. The balance sheet includes assets "things owned by the organization" like bank account balances and liabilities "things the organization owes" like credit card balances and loans.

**A/R aging:** Accounts receivable is money that is owed to an organization for services rendered that have not been paid yet. An A/R aging report will show how long this money has been outstanding. For example, the total amount of claims that have been submitted within the last 30 days, 30-60 days, etc...