Service Development Canvas: Financial Outlook Planning

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NMRHN Based in Albuquerque—Home of the Albuquerque International Balloon Fiesta

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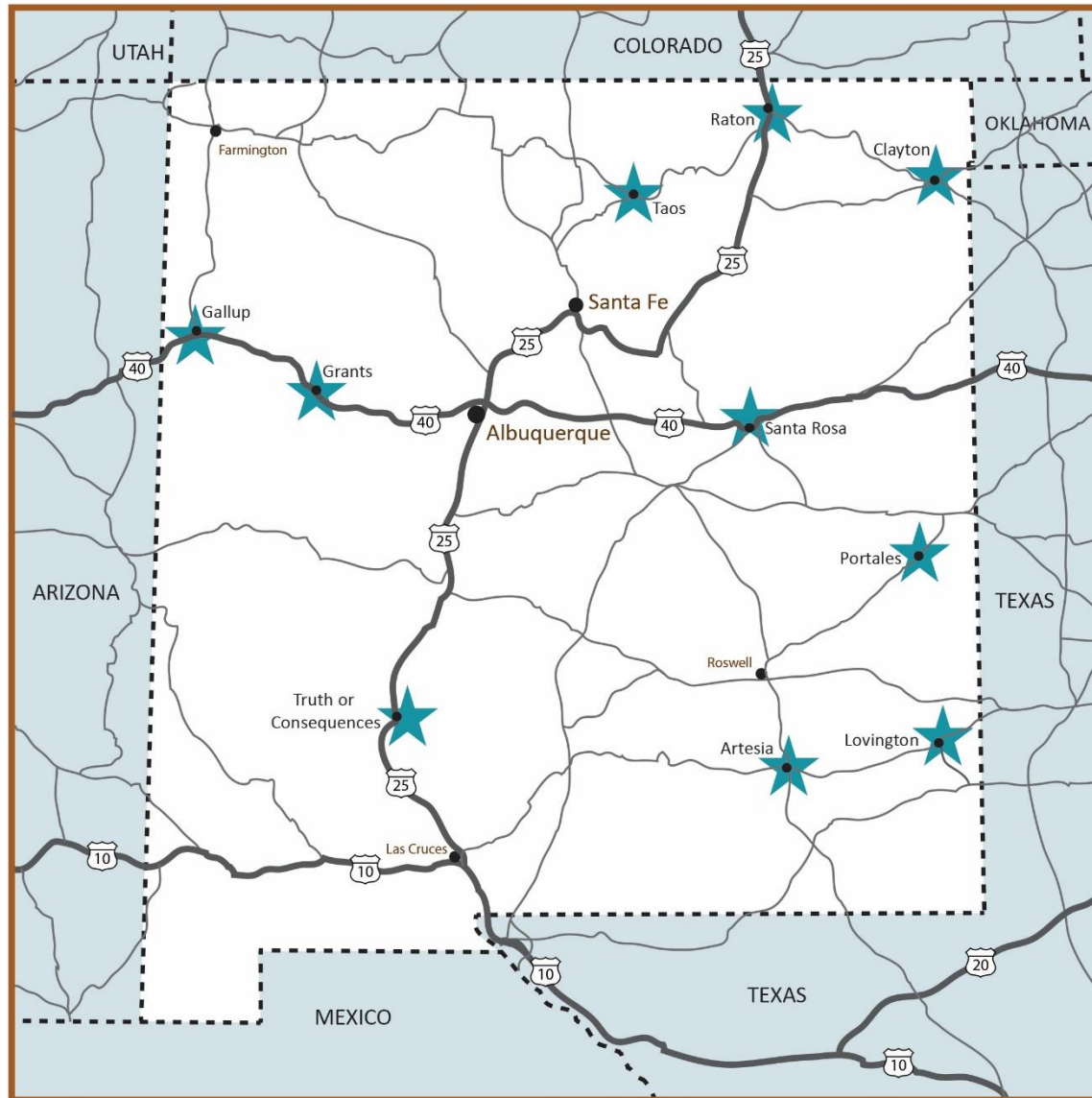NATIONAL RURAL HEALTH RESOURCE CENTER

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Introduction

- Founded in 2011 with 6 original members
- Received a Network Development Grant from 2014-2017
- Stephen hired as first Executive Director in 2015
- Currently have 10 hospital members

New Mexico Rural Hospital Network

Financial Forecast Overview

- Purpose of a Financial Forecast is to provide a projected Financial Performance of a Business Product or Service—normally over time three to five years
- The Financial Forecast is created using assumptions about the business

Financial Goals

- What is your organization's goal for net income for this particular product or service?

- For example is your network wanting to make a substantial net income to help sustain your network?

- Do your members want your network to provide this service or product at a low cost to benefit them? In other words is your net income goal to cover your costs or break even rather than to maximize your net income?

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Education Conference Example Financial Forecast Key Assumptions

- Planning for 80-100 attendees
- 60% attendance by members with "member rate"
- 40% attendance by nonmembers with "nonmember rate"
- Network will hire staff for leading project planning and hosting event
- Plenary speakers will be provided a speaker fee plus travel
- Breakout speakers will be volunteers
- Location and AV will be covered through donated space and AV equipment from members
- Food will be covered by registration fees
- Financial goal is to provide an affordable conference and make some money for the network

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Education Conference Example Financial Forecast
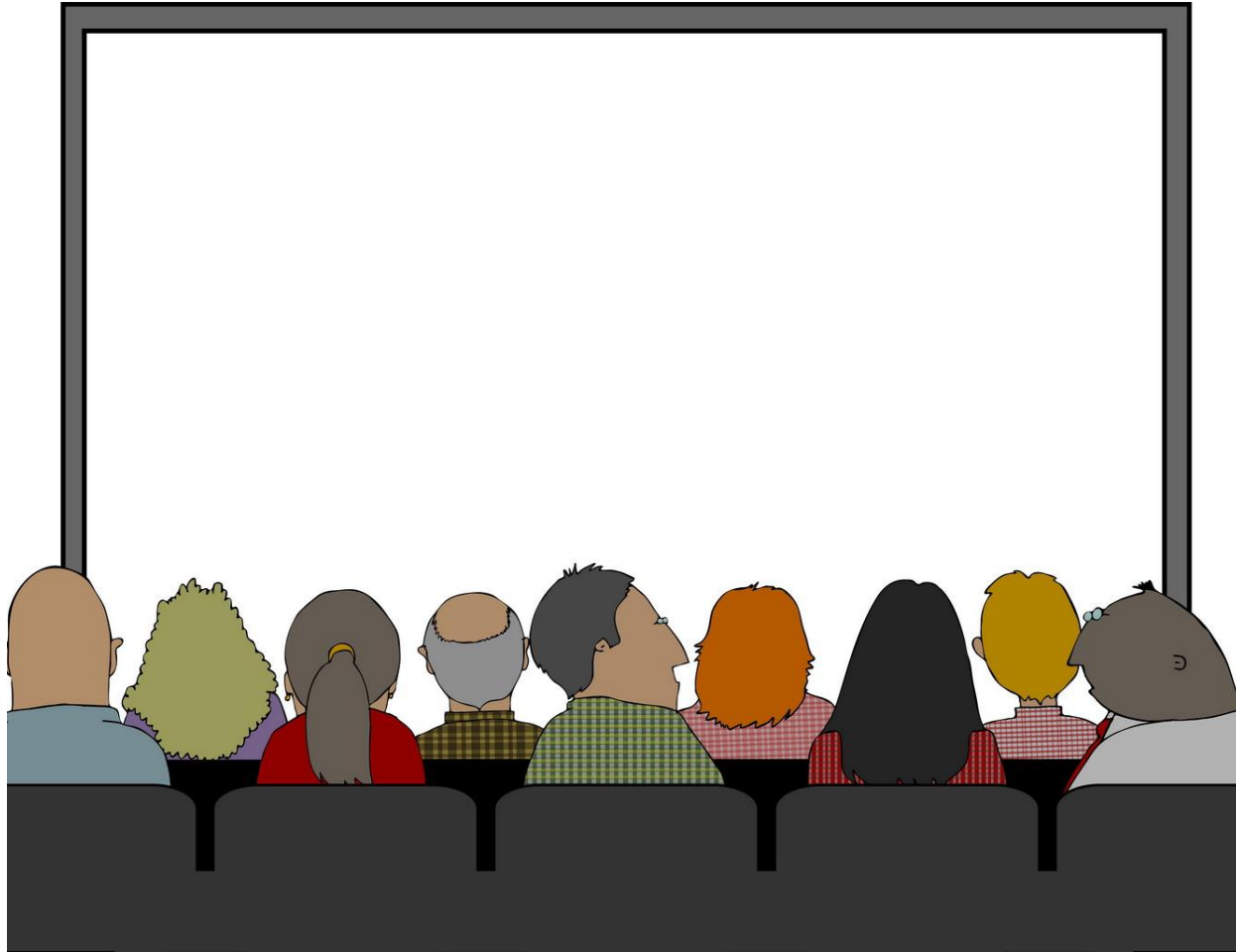
Startup Costs

- Startup Costs include one-time costs that are incurred during the development of your product or service.

- Startup Cost examples may include capital equipment, software, legal fees, consulting fees and so forth.

- Capital Equipment is equipment that is used to provide a service or equipment used to produce, market or transport a product. Capital equipment items have a value of more than $5,000 and an extended lifetime of over one year. (Ex: lab courier service would have vehicles as their capital equipment)

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Direct Costs

- Direct Costs are the costs needed to produce or deliver a product or service such as, equipment fees, service subscriptions, and inventory replacement.

- Examples of direct costs include payroll, fuel, travel, etc. They are often recurring costs, that exists as costs that are repeated with each delivery or production of the product or service.

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Direct Costs, Continued
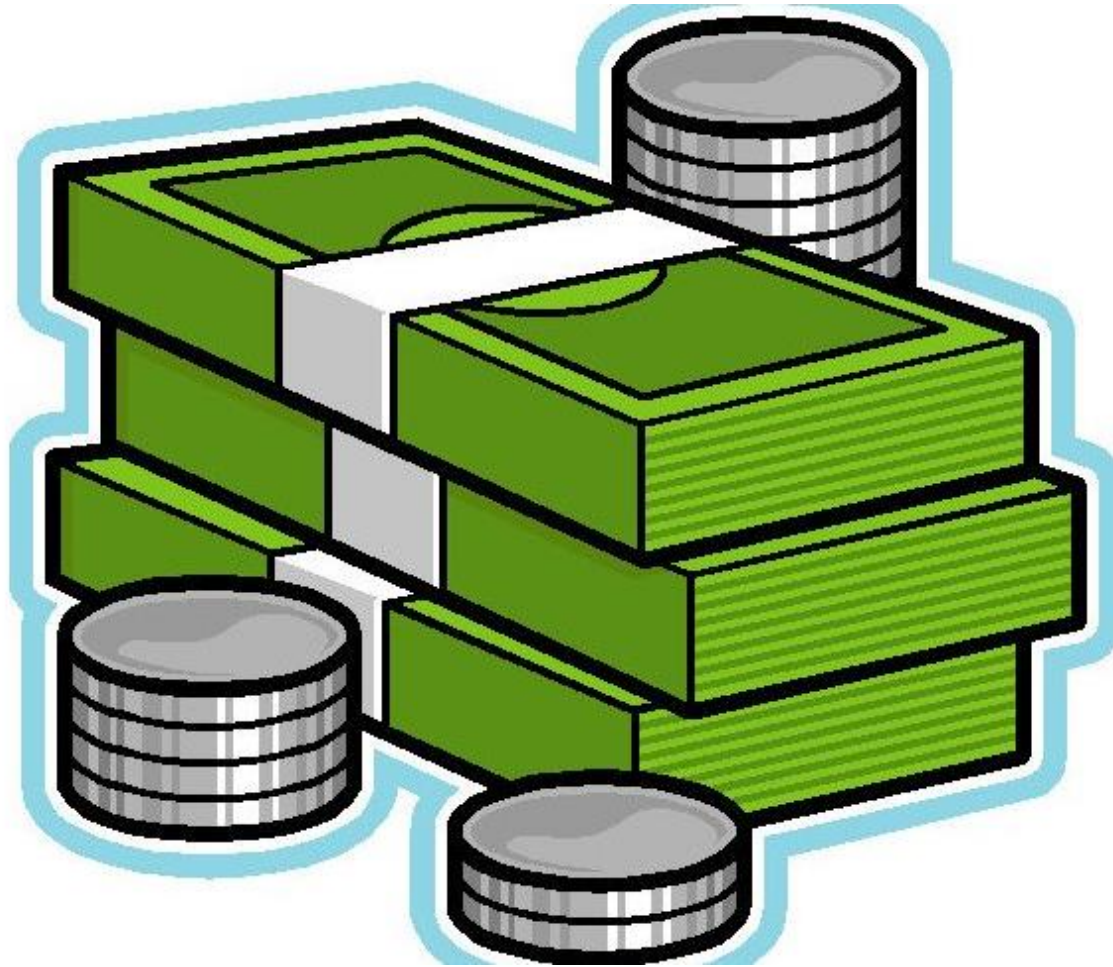
Indirect Costs

- Indirect Costs are typically expenses related to general administration of the project or organization. They are also called "Overhead or Administrative Expenses".

- Some examples of Indirect Costs include accounting services, board expenses, insurance premiums, office space rent, utilities, supplies, and technology.

- These costs are normally allocated based on the percent of revenue from a given product or service to the total revenue of the entire company.

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Revenue

- Revenue is the income generated from the sale of goods or services associated with the main operations of an organization before any costs or expenses are deducted.

- Some examples of revenue may include sales, consulting fees, subscriptions, dues, grants, sponsors, etc.

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Units x Price = Revenue

Units sold per month x Price = Mthly Revenue

Mthly Revenue x 12 = Yearly Revenue

10 consulting hours per month x $50 = $500 monthly revenue

$500 monthly revenue x 12 = $6,000 Yearly Revenue

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Units For Revenue Source Examples

- Hours: if a service is billed per hour; legal fees or consulting fees
- Subscription: recurring product, could be annual, quarterly, monthly; newsletter, access to help desk support.
- Registrations: number of attendees; conference
- Products Sold: number sold; book, supply, physician peer reviews
- Retainer fee: this is paying for someone's expertise being available for so much time; normally a monthly or for another time frame
- Dues: there are various formats and models, some are billed on membership type; normally for a 1 year period

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Revenue, Continued

Net Income

- Net Income is equal to total revenue minus total expenses.

- The net income of a product or service illustrates the financial outlook or forecast of a product or service.

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Check Back to Financial Goals

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Net Income, Continued

- Be willing to adjust your assumptions in realistic ways if your net income goal is not realized.

- Remember one reason to create a Financial Forecast is to test whether your business assumptions can produce a profit.

- If several versions of your Financial Forecast have a negative net income result, then you may want to consider not pursuing that particular product or service.

Net Income, Once More

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Be Careful With Your Numbers!

Pro Forma   Performance

Rio Grande and Sandia Mountains

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