



Developing a Business Plan for the Start-up Law Firm: Financial Statements

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Financial Forecasting

- Why is it necessary?
 - Track Actual Events
 - Make Adjustments



Financial Forecasting

- How does it help your plan?
 - Project Performance
 - Plan for Future
 - Document Performance



Pro Forma Financial Statements

- Income Statement
- Balance Sheet
- Operating Budget



Information Needed

- Projected Revenue
- Start Up Expenses
- Operating Expenses
- Cash Requirements



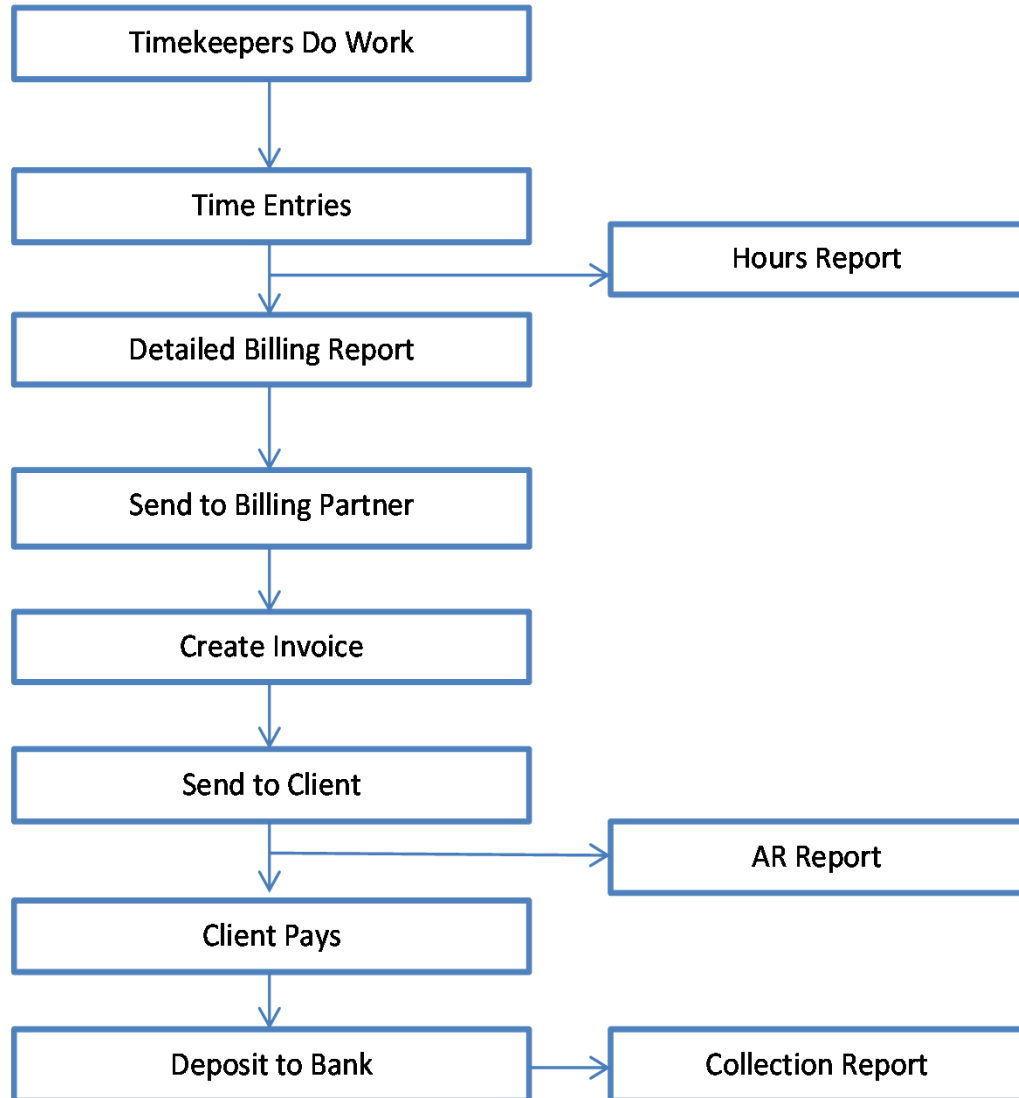
Revenue Projections

- Most difficult piece to prepare
- Most important piece

Dasher and Associates, LLP
2012 Revenue Projection

	2012 Standard Rate	Billable Hours Goal	Maximum Revenue	Hours Adjustment		Rate Adjustment		Realization Adjustment		2012 Revenue Projection
				Hours	Dollars	Hours	Dollars	Percent	Dollars	
<u>Partners</u>										
Partner A	350	1800	630,000	-75	(26,250)	-15	(25,875)	0.95	(28,894)	548,981
Partner B	350	1800	630,000	-60	(21,000)	15	26,100	0.95	(31,755)	603,345
<u>Associates</u>										
Associate A	250	2000	500,000	-100	(25,000)	0	-	0.90	(47,500)	427,500
Associate B	250	2000	500,000	-100	(25,000)	-25	(47,500)	0.90	(42,750)	384,750
<u>Other Timekeepers</u>										
Paralegal A	100	1500	150,000	-80	(8,000)	-10	(14,200)	0.90	(12,780)	115,020
Paralegal B	100	1500	150,000	-150	(15,000)	-10	(13,500)	0.90	(12,150)	109,350
			<u>2,560,000</u>		<u>(120,250)</u>		<u>(74,975)</u>		<u>(175,829)</u>	<u>2,188,946</u>

Revenue Cycle





Expenses

- Start Up
 - Business registration fees
 - Business licensing and permits
 - Rent deposits
 - Down payments on equipment
 - Utility set up fees (depending on lease)



Expenses

- **Operating Expenses**

- Salaries (yours and staff salaries)
- Rent or mortgage payments
- Insurance
- Telecommunications
- Utilities
- Marketing
- Loan payments
- Supplies
- Maintenance

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Balance Sheet As of 1/31/12

ASSETS

Current Assets

Cash in Bank	13,000
Petty Cash	200
Total Current Assets	<u>13,200</u>

Fixed Assets

Equipment	50,000
Less Depreciation	833
Net Equipment	<u>49,167</u>

TOTAL ASSETS

62,367

LIABILITIES

Current Liabilities

Accounts Payable	1,200
Federal Income Tax Payable	1,000
Medical Payable	2,000
Total Current Liabilities	<u>4,200</u>

Long-Term Liabilities

Long-Term Loans	45,000
Total Long-Term Liabilities	<u>45,000</u>

TOTAL LIABILITIES

49,200

EQUITY

Owner's Equity - Capital	6,000
Owner - Draws	7,167
Retained Earnings	0

TOTAL EQUITY

13,167

LIABILITIES AND EQUITY

62,367

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Budget for the year ending 12/31/2012

	January	February	March	April	May	June	July	August	September	October	November	December	Total
<u>REVENUE</u>													
Fee Income	-	20,000	150,000	220,000	220,000	220,000	220,000	220,000	220,000	220,000	220,000	220,000	2,150,000
Miscellaneous Income	-	-	50	-	-	50	-	-	75	-	-	75	250
TOTAL REVENUE	-	20,000	150,050	220,000	220,000	220,050	220,000	220,000	220,075	220,000	220,000	220,075	2,150,250
<u>EXPENSES</u>													
Professional Compensation	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	480,000
Support Compensation	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	216,000
Office Rent	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	36,000
Accounting and Legal Fees	-	-	-	250	-	-	-	250	-	-	-	1,000	1,500
Advertising and Promotion	300	300	300	300	300	300	300	300	300	300	300	300	3,600
Bank Charges	25	25	25	25	25	25	25	25	25	25	25	25	300
Credit Card Charges	-	600	3,000	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	44,100
Depreciation and Amortization	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
Insurance	25,000	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	63,500
Interest	500	500	500	500	500	500	500	500	500	500	500	500	6,000
Maintenance	100	100	100	100	100	100	100	100	100	100	100	100	1,200
Office Supplies	250	250	250	250	250	250	250	250	250	250	250	250	3,000
Telephone	500	500	500	500	500	500	500	500	500	500	500	500	6,000
Utilities	120	120	120	120	120	120	120	120	120	120	120	120	1,440
TOTAL EXPENSES	88,795	67,895	70,295	72,045	71,795	71,795	71,795	72,045	71,795	71,795	71,795	72,795	874,640
NET INCOME	(88,795)	(47,895)	79,755	147,955	148,205	148,255	148,205	147,955	148,280	148,205	148,205	147,280	1,275,610