Dental Practice Overhead Survey

2014 Data Compiled in 2015

SOMERSET
CPAs AND ADVISORS

Table of Contents

Introduction Letter 1

General Dentistry 3

Endodontics 4

Oral and Maxillofacial Surgery 5

Orthodontics 6

Pediatric Dentistry 7

Comparison by Practice Type 8

Somerset CPAs Dental Team 9

SOMERSET
CPAs AND ADVISORS

November 2015

Dear Clients and Friends:

We are pleased to provide you with our comparison of Indiana dental practice operating expenses. The following pages compare data for the years 2013 and 2014 from amongst our clients throughout central Indiana. The information is presented according to practice type—General Dentistry, Endodontics, Oral and Maxillofacial Surgery, Orthodontics and Pediatric Dentistry. We anticipate that you will find this survey useful in your practice planning and analysis. We welcome your questions and comments.

If you are not familiar with Somerset, we are an Indianapolis-based accounting, tax and advisory team of forward-thinking, proactive experts with over 50 years in the business with a team specifically dedicated to the dental industry. Our dental industry professionals are committed to helping your dental practice succeed, by working with you to create customized business and financial goals that meet your needs. We specialize in buying and selling of practices, valuation services, buy-ins of associates and compensation, as well as tax planning and preparation.

Please contact either of us at 317-472-2200 or 800-469-7206 if you would like to discuss the specifics of your practice.

Sincerely,

SOMERSET CPAs, P.C.

Stephen D. Shoemaker, CPA

Jay R. Horn, CPA

General Dentistry

Operating Expenses	2013	2014
Office salaries	26.25%	27.30%
Payroll taxes	3.16%	3.34%
Property taxes	0.35%	0.40%
Rent	5.58%	6.28%
Dental supplies	7.28%	6.75%
Laboratory expenses	5.63%	5.62%
Laundry and uniform allowances	0.20%	0.24%
Office supplies	1.35%	1.34%
Postage	0.19%	0.19%
Telephone	0.59%	0.61%
Dues and subscriptions	0.28%	0.27%
Insurance	1.07%	1.15%
Employee medical	0.67%	0.47%
Repairs and maintenance	0.53%	0.76%
Bank charges	1.11%	.94%
Payroll service fee	0.05%	0.12%
Licenses and fees	0.04%	0.05%
Meetings/education	0.79%	0.68%
Amortization	0.26%	0.45%
Depreciation	2.70%	2.60%
Professional fees	1.62%	1.65%
Profit sharing plan expense	2.94%	2.20%
Miscellaneous	0.15%	0.19%
Equipment rental	0.11%	0.07%
Utilities	0.50%	0.70%
Collection expense	0.00%	0.01%
Promotion	1.84%	.98%
Employee benefit programs	0.75%	0.85%
Business gifts	0.06%	0.07%
Contributions	0.19%	0.28%
Travel and entertainment	0.63%	0.51%
Auto expense	0.68%	0.52%
Outside services	0.51%	0.50%
Total Operating Expenses as a Percentage of Professional Fees	**68.06%**	**68.09%**

Endodontics

Operating Expenses	2013	2014
Office salaries	16.36%	15.38%
Payroll taxes	2.71%	2.54%
Property taxes	0.26%	0.20%
Rent	4.54%	5.65%
Dental supplies	8.92%	8.57%
Laboratory expenses	0.01%	0.00%
Laundry and uniform allowances	0.12%	0.14%
Office supplies	1.00%	0.75%
Postage	0.21%	0.17%
Telephone	0.56%	0.47%
Dues and subscriptions	0.35%	0.37%
Insurance	1.82%	2.48%
Employee medical	0.59%	0.58%
Repairs and maintenance	0.37%	0.36%
Bank charges	0.87%	0.98%
Payroll service fee	0.10%	0.13%
Licenses and fees	0.02%	0.03%
Meetings/education	0.06%	0.12%
Amortization	0.17%	0.14%
Depreciation	1.95%	1.72%
Professional fees	1.02%	1.35%
Profit sharing plan expense	3.04%	3.45%
Miscellaneous	0.22%	0.34%
Equipment rental	0.06%	0.11%
Utilities	0.28%	0.31%
Collection expense	0.03%	0.02%
Promotion	1.23%	1.08%
Contributions	0.05%	0.06%
Travel and entertainment	0.27%	0.37%
Auto expense	0.71%	0.46%
Outside services	2.81%	1.61%
Total Operating Expenses as a Percentage of Professional Fees	**50.71%**	**49.93%**

Oral and Maxillofacial Surgery

Operating Expenses	2013	2014
Office salaries	19.35%	20.34%
Payroll taxes	2.49%	2.51%
Property taxes	0.16%	0.17%
Rent	4.97%	4.94%
Dental supplies	9.78%	9.55%
Laboratory expenses	0.02%	0.02%
Laundry and uniform allowances	0.13%	0.11%
Office supplies	0.95%	0.81%
Postage	0.21%	0.22%
Telephone	1.24%	0.94%
Dues and subscriptions	0.33%	0.33%
Insurance	3.73%	3.60%
Employee medical	0.00%	0.00%
Repairs and maintenance	0.95%	0.94%
Bank charges	1.24%	1.09%
Payroll service fee	0.09%	0.08%
Licenses and fees	0.11%	0.10%
Meetings/education	0.08%	0.12%
Depreciation	2.61%	1.41%
Professional fees	0.27%	0.86%
Profit sharing plan expense	3.22%	3.03%
Miscellaneous	0.07%	0.03%
Equipment rental	0.00%	0.01%
Utilities	0.30%	0.31%
Collection expense	0.23%	0.20%
Promotion	0.08%	0.00%
Employee benefit programs	1.02%	1.06%
Business gifts	0.01%	0.00%
Contributions	0.03%	0.06%
Travel and entertainment	0.60%	0.48%
Auto expense	0.03%	0.03%
Outside services	0.73%	0.83%
Advertising	0.68%	0.65%
Total Operating Expenses as a Percentage of Professional Fees	**55.71%**	**54.83%**

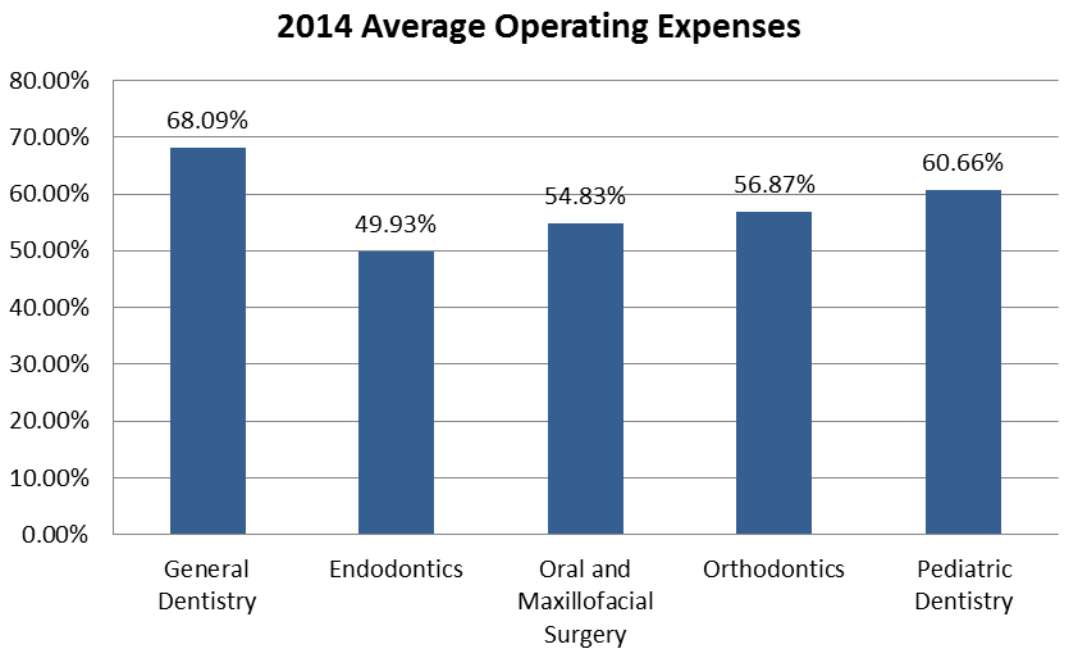
Orthodontics

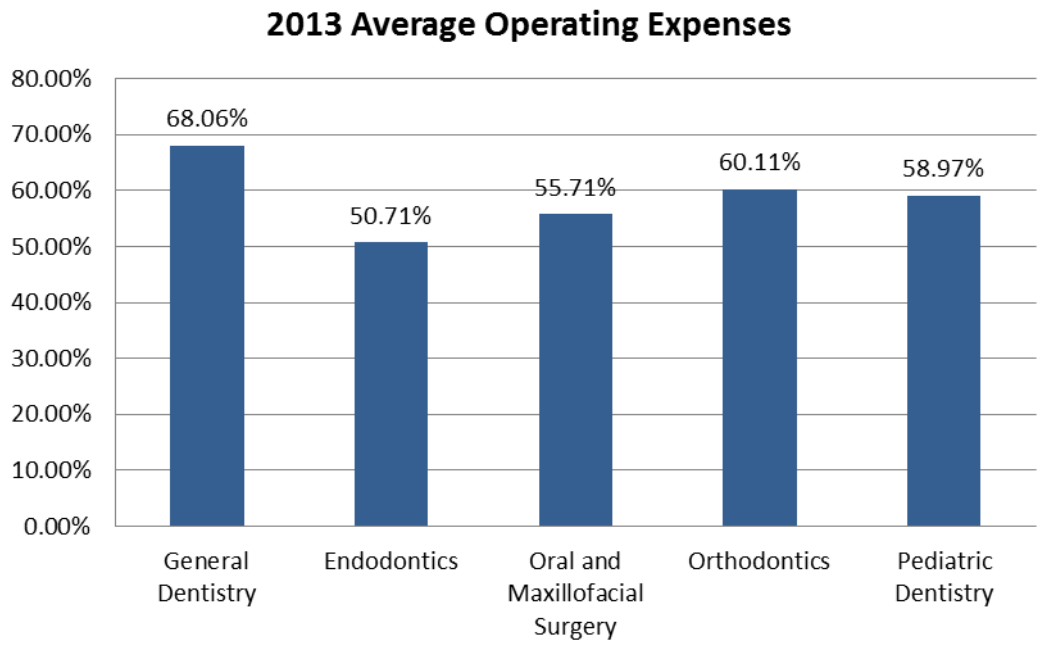
Operating Expenses	2013	2014
Office salaries	19.88%	18.25%
Payroll taxes	2.88%	2.51%
Property taxes	0.80%	0.80%
Rent	6.31%	6.11%
Dental supplies	9.28%	8.78%
Laboratory expenses	1.78%	1.81%
Laundry and uniform allowances	0.14%	0.23%
Office supplies	3.07%	3.18%
Postage	0.12%	0.11%
Telephone	0.67%	0.28%
Dues and subscriptions	0.36%	0.42%
Insurance	0.85%	0.92%
Employee medical	0.14%	0.15%
Repairs and maintenance	1.02%	0.97%
Bank charges	0.89%	0.64%
Payroll service fee	0.08%	0.11%
Licenses and fees	0.02%	0.08%
Meetings/education	0.22%	0.38%
Amortization	0.43%	0.38%
Depreciation	3.01%	2.79%
Professional fees	1.01%	0.99%
Profit sharing plan expense	1.69%	1.64%
Miscellaneous	0.15%	0.11%
Equipment rental	0.00%	0.00%
Utilities	0.97%	1.00%
Collection expense	0.00%	0.00%
Promotion	0.12%	0.07%
Employee benefit programs	0.42%	0.32%
Business gifts	0.18%	0.17%
Contributions	0.04%	0.07%
Travel and entertainment	0.77%	1.23%
Auto expense	0.23%	0.13%
Outside services	0.20%	0.00%
Advertising	2.38%	2.24%
Total Operating Expenses as a Percentage of Professional Fees	**60.11%**	**56.87%**

Pediatric Dentistry

Operating Expenses	2013	2014
Office salaries	30.34%	29.93%
Payroll taxes	1.76%	2.05%
Property taxes	0.11%	0.09%
Rent	4.89%	6.30%
Dental supplies	9.99%	9.05%
Laboratory expenses	0.58%	0.91%
Laundry and uniform allowances	0.17%	0.32%
Office supplies	1.63%	1.70%
Postage	0.08%	0.12%
Telephone	0.64%	0.48%
Dues and subscriptions	0.36%	0.36%
Insurance	0.40%	0.39%
Employee medical	0.00%	0.00%
Repairs and maintenance	0.48%	0.49%
Bank charges	0.18%	0.27%
Payroll service fee	0.00%	0.00%
Licenses and fees	0.00%	0.01%
Meetings/education	0.41%	0.83%
Amortization	0.56%	0.43%
Depreciation	0.99%	1.20%
Professional fees	1.03%	1.41%
Profit sharing plan expense	0.87%	0.44%
Miscellaneous	1.12%	0.08%
Equipment rental	0.00%	0.09%
Utilities	0.29%	0.24%
Collection expense	0.00%	0.06%
Promotion	0.74%	1.28%
Employee benefit programs	0.00%	0.11%
Business gifts	0.00%	0.01%
Contributions	0.47%	0.40%
Travel and entertainment	0.75%	0.63%
Auto expense	0.00%	0.02%
Outside services	0.13%	0.96%
Total Operating Expenses as a Percentage of Professional Fees	**58.97%**	**60.66%**

Comparison By Practice Type





Somerset CPAs Dental Team

Find out how Somerset CPAs can help you look at your practice in a new way. Contact any of our Dental Team members today and request a complimentary initial consultation.

Stephen D. Shoemaker, CPA
Senior Manager
317-472-2205
sshoemaker@somersetcpas.com

Steve joined Somerset in 2008 and is a senior manager focusing on Dental and Tax services, where he provides accounting, taxation and consulting services to closely-held businesses and their owners. Previously, he gained industry experience as a controller for a professional services business as an accounting and tax manager for a local CPA firm. Steve is committed to assisting professional service business, business professionals and those in the farming industry.

An accomplished handyman, Steve fills his weekends with DIY projects—everything from replacing his car's radiator to installing junction boxes in his attic.

EXPERTISE
Business and Individual Tax Preparation and Planning
Dental Industry
Farming Industry

EDUCATION
BS, Accounting and Finance, Indiana Wesleyan University

PROFESSIONAL AFFILIATIONS
Indiana CPA Society — Member
American Institute of CPAs — Member

COMMUNITY AFFILIATIONS
Northview Church — Sound Engineer

Somerset CPAs Dental Team (continued)

Jay R. Horn, CPA
Principal
317-472-2520
jhorn@somersetcpas.com

Jay is a principal in our Health Care group working with physician groups and dental offices. He has spent his entire career in public accounting providing accounting, taxation and consulting services to closely-held businesses and their owners. Raised in central Indiana, Jay enjoys reading, traveling and following his sons' athletic adventures.

EXPERTISE
Health Care
Health Care Real Estate
Physician/Dentist Compensation
Mergers and Acquisitions
Physician/Dentist Equity Buy-In and Buy-Out
Practice Start-Ups
Budgeting and Cash Flow Management

EDUCATION
BS, Business (Accounting Concentration), Indiana University

PROFESSIONAL AFFILIATIONS
Indiana CPA Society — Member
American Institute of CPAs — Member

COMMUNITY AFFILIATIONS
Dyslexic Institute of Indiana — Board of Directors
Family Promise of Hendricks County — Board of Directors
St. Luke Catholic Church — Athletic Committee and Coach

Somerset CPAs Dental Team (continued)

Andrew L. DePew, CPA
Principal
317-472-2153
adepew@somersetcpas.com

Since joining Somerset in 1995, Andy has worked primarily with physicians and dentists, assisting them with their tax planning, financial statements, cash flow analysis, development and review of income distribution methodologies and practice operations. When not working with clients, Andy splits his free time attending sporting events with his two sons, Colton and Dakota, in their favorite sports (lacrosse and soccer, respectively) where he also helped volunteer his time as treasurer.

EXPERTISE
Individual Tax Planning
Tax Return Preparation
Corporate Tax Planning
Partnership Tax Planning

EDUCATION
BS, Accounting, Ball State University

PROFESSIONAL AFFILIATIONS
Indiana CPA Society – Member
American Institute of CPAs – Member
The Indiana Medical Group Management Association – Member
The Medical Group Management Association – Member

Somerset CPAs Dental Team (continued)

Mack Doyle, CPA
Senior Manager
317-472-2161
mdoyle@somersetcpas.com

A senior manager on our Outsourced Accounting Solutions team, Mack assists Somerset's clients with their accounting and financial statement functions. Prior to joining us, Mack gained experience working as a controller and accounting manager in several different industries—including real estate and construction products—serving companies whose revenues ranged from $2 million to $100 million.

EXPERTISE
Outsourced Accounting Solutions
Ambulatory Surgery Center Accounting
Accounting and Financial Statements

EDUCATION
BS, Accounting and Finance, Miami University

PROFESSIONAL AFFILIATIONS
Indiana CPA Society — Member
American Institute of CPAs — Member

Carla S. Baugher
Supervisor
317-472-2207
cbaugher@Somersetcpas.com

Carla helps a variety of clients with their tax return preparation and preparing financial statements. She specializes in health care clients, outsourced accounting clients, golf courses and agricultural clients.

Carla enjoys boating, camping and crafting, but mainly spending time with her grandchildren at the park.

EXPERTISE
Tax Return Preparation
Financial Statement Preparation

EDUCATION
BS, Ball State University

Somerset CPAs and Advisors
Dental Services

Our dental industry professionals are committed to helping your dental practice succeed by working with you to create customized business and financial goals. We work hand-in-hand with you and your staff to ensure your practice operates smoothly and efficiently, allowing you to focus on what's most important — your patients.

CONSULTING SERVICES

- Accounts receivable analysis and revenue cycle management
- Operations and internal control reviews
- Income distribution methodology design
- Group practice governance design and succession planning
- Overhead expense analysis
- Dental practice valuation
- Buy in/Buy out
- Practice sale/purchase

ADDITIONAL SERVICES

- Accounting
- Tax
- Technology Solutions
- Forensic accounting

Interested in contacting one of our dental experts? Visit us online at somersetcpas.com, or email us at info@somersetcpas.com.

find us on...

SOMERSET
CPAs AND ADVISORS