

# CPRS™ Financial Analysis

## C - CASH (3 min)

- 1. Ending Cash Balance**
  - ✓ 1-2 months of operating expenses available?
  - Formula: *Check final balance on Cash Flow Statement*
- 2. Cash Flow from Operations**
  - ✓ Positive number?
  - Red Flag: *Negative operating cash flow*
- 3. Days Sales Outstanding (DSO)**
  - ✓ Under 30 days?
  - Formula:  $A/R \div (Annual\ Revenue \div 365)$

## P - PROFITABILITY (3 min)

- 1. Gross Profit Margin**
  - ✓ Consistent or improving?
  - Formula:  $Gross\ Profit \div Revenue$
- 2. Net Profit Margin**
  - ✓ Above 10%?
  - Formula:  $Net\ Profit \div Revenue$
- 3. Expense Trends**
  - ✓ Any unusual increases?
  - Action: *Investigate variances immediately*

## R - RESILIENCE (3 min)

- 1. Working Capital**
  - ✓ Positive number?
  - Formula:  $Current\ Assets - Current\ Liabilities$
- 2. Current Ratio**
  - ✓ Between 1.5-2.0?
  - Formula:  $Current\ Assets \div Current\ Liabilities$
- 3. Debt Service Coverage Ratio**
  - ✓ Above 1.25?
  - Formula:  $EBITDA \div (Principal + Interest\ Payments)$
  - Red Flag: *Below 1.0 means insufficient cash for debt*

## **S - SNAPSHOT (1 min)**

- Declining profit margins? → Review pricing/costs
- Negative cash flow? → Improve cash management
- Rising A/R days? → Tighten collection processes
- Increasing expenses? → Identify and address causes
- DSCR < 1.25? → Evaluate debt structure

*Remember: Financial statements only tell part of the story. Clinical quality, patient satisfaction, and staff engagement matter too.*

*CPRS™ is a trademark financial analysis framework of DarabBusinessAdvisors*

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