



# Demystifying Your Income Statement

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# What is an Income Statement?

A financial statement that shows how *Revenue* is transformed into *Income*, over a specific *period of time*.

# Cash vs. Accrual

- Cash Basis – changes are made to income statement when cash is received and expenses are paid
- Accrual Basis – revenues are recognized when they are earned, and expenses are matched to them

# Income Statement pattern

- **Revenues** – sales of service & products
- **Cost of Goods** – costs incurred when  
you make a sale
- **Gross Profit**
- **Expenses** – costs incurred whether  
or not you make a sale
- **Net Profit** or Bottom Line

# Simplified example:

<b>Total Revenues</b>	\$ 2,126,433.11	100
<b>Total Cost of Sales</b>	\$ 1,021,160.53	48%
<b>Gross Profit</b>	\$ 1,105,272.58	52%
<b>Total Expenses</b>	\$ 1,373,510.31	65%
<b>Net Income</b>	\$ (268,237.73)	-13%

# More Detail



<b>Total Service Sales</b>	\$ 1,618,523.04	
<b>Total Retail Sales</b>	\$ 404,711.66	
Sales- Gift C.	\$ 267,129.83	13%
Events Income	\$ 5,892.84	0%
Interest Income		0%
Sales - Tax Discounts	\$ -	0%
Other Income	\$ 39.91	0%
Gift Cards Redeem	\$ (169,864.17)	-7.99%
<b>Total Revenues</b>	\$ 2,126,433.11	100
<b>Cost of Goods Sold</b>		
Total Tech Svc Labor	\$ 560,147.53	35%
Supplies Back Bar Total	\$ 144,070.55	9%
COGS Retail	\$ 135,881.26	34%
Product Sales Commissions	\$ 56,659.63	3%
Tech Labor Payroll Taxes	\$ 55,512.65	10%
Merchant Fees	\$ 68,888.91	3%
<b>Total Cost of Sales</b>	\$ 1,021,160.53	48%
<b>Gross Profit</b>	\$ 1,105,272.58	52%



Revenues			Cost of Goods Sold		
Sales Returns/Allowances	\$ (576.00)	0%	COS - Esthetics	\$ 147,106.83	14%
Service Sales - Dental	\$ 7,226.88	0.34%	COS - Hair	\$ 134,205.28	13%
Service Sales - Esthetic	\$ 382,167.29	18%	COS - Makeup	\$ 9,702.68	1%
Service Sales - Hair	\$ 359,510.50	17%	COS - Massage	\$ 164,003.28	16%
Service Sales - Makeup	\$ 14,256.00	1%	COS - Medical	\$ 12,507.27	1%
Service Sales - Massage	\$ 506,761.50	24%	COS - Nails	\$ 92,622.19	9%
Service Sales - Medical	\$ 64,206.27	3%	<b>Total Tech Svc Labor</b>	<b>\$ 560,147.53</b>	<b>55%</b>
Service Sales - Nail	\$ 280,730.60	13%			
Sales - Tanning	\$ 4,240.00	0%	Supplies - Esthetics	\$ 30,573.38	3%
<b>Total Service Sales</b>	<b>\$ 1,618,523.04</b>	<b>76%</b>	Supplies - Hair	\$ 32,355.95	3%
			Supplies - Makeup	\$ 285.12	0%
Retail - Boutique	\$ 120,203.66	6%	Supplies - Massage	\$ 15,202.85	1%
Retail - Esthetics	\$ 165,422.00	8%	Supplies - Medical	\$ 46,002.11	5%
Retail - Hair	\$ 47,815.00	2%	Supplies - Nail	\$ 19,651.14	2%
Retail - Makeup	\$ 24,991.00	1%	<b>Supplies Back Bar Total</b>	<b>\$ 144,070.55</b>	<b>14%</b>
Retail - Massage	\$ 18,396.00	1%			
Retail - Nail	\$ 27,884.00	1%	COGS Ret Esthetics	\$ 46,318.16	5%
<b>Total Retail Sales</b>	<b>\$ 404,711.66</b>	<b>19%</b>	COGS Ret Hair	\$ 23,907.50	2%
			COGS Ret Makeup	\$ 5,498.02	1%
Sales- Gift C.	\$ 267,129.83	13%	COGS Ret Massage	\$ 9,198.00	1%
Events Income	\$ 5,892.84	0%	COGS Ret Nail	\$ 11,153.60	1%
Interest Income			COGS Ret Boutique	\$ 39,805.98	4%
Sales - Tax Discounts	\$ -	0%	<b>COGS Retail Total</b>	<b>\$ 135,881.26</b>	<b>13%</b>
Other Income	\$ 39.91	0%			
Gift Cards Redeem	\$ (169,864.17)	-7.99%	Product Sales Commission	\$ 56,659.63	6%
<b>Total Revenues</b>	<b>\$ 2,126,433.11</b>	<b>100%</b>	Tech Labor Payroll Taxes	\$ 55,512.65	5%
			Merchant Fees	\$ 68,888.91	7%
%s of Total Revenues & Total Costs			Total Cost of Sales	\$1,021,160.53	48%
			Gross Profit	\$1,105,272.58	52%



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# Support Detail

<b>Support Compensation</b>		
Payroll - Concierges	\$ 157,581.87	38%
Payroll - Fees	\$ 2,336.36	1%
Payroll - Management Salaries	\$ 123,004.18	30%
Payroll - Support Taxes	\$ 25,252.74	6%
Insurance - Employee Benefits	\$ 31,466.67	8%
Insurance - Business	\$ 50,716.77	12%
Insurance - Life	\$ 1,195.00	0%
Insurance - Workmans Comp	\$ 18,652.08	5%
	\$ 410,205.67	19.29%
		<i>of total rev</i>



# Facility Detail

Facility		
Maintenance	\$ 18,619.70	5%
Rent or Lease	\$ 247,009.15	60%
Renovations	\$ 30,008.98	7%
Repairs	\$ 8,798.32	2%
Utilities	\$ 43,504.25	11%
Telephone	\$ 5,991.53	1%
Housekeeping Services	\$ 15,310.07	4%
Equipment Lease	\$ 462.38	0%
Furniture & Fixtures	\$ 37,073.68	9%
Supplies - Housekeeping	\$ 6,084.65	1%
	\$ 412,862.71	19.42%
		<i>of total rev</i>

# Promotional Detail

Promotional		
Advertising	\$ 143,411.45	52%
Marketing - Agent	\$ 44,268.32	16%
Marketing - Materials	\$ 27,740.64	10%
Meals & Entertainment	\$ 9,817.01	4%
Memberships	\$ 1,236.18	0%
Other Expense	\$ 2,241.00	1%
PR - Agent	\$ 30,086.72	11%
PR - Supplies	\$ 762.74	0%
Signage	\$ 760.42	0%
Web expense	\$ 15,292.04	6%
	\$ 275,616.52	13%
		<i>of total rev</i>

# Skin Department Analysis



<b>Esthetic Dept Revenue</b>	<b>\$ 547,589.29</b>	
Labor - Esthetic Department	\$ 171,920.13	31%
Supplies - Esthetics	\$ 80,199.98	
<b>Esthetic Dept Gross Profit</b>	<b>\$ 295,469.17</b>	<b>54%</b>
Service Sales - Esthetic	\$ 382,167.29	
Service Labor - Esthetic	\$ 147,106.83	
Back Bar - Esthetics	\$ 30,573.38	
<b>Service Gross Profit - Esthetics</b>	<b>\$ 204,487.07</b>	<b>54%</b>
Retail Sales - Esthetics	\$ 165,422.00	
Retail Commission - Esthetics	\$ 24,813.30	
COGS Retail - Esthetics	\$ 49,626.60	
<b>Retail Gross Profit - Esthetics</b>	<b>\$ 90,982.10</b>	<b>55%</b>



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# Hair Department Analysis

<b>Hair Dept Revenue</b>	<b>\$ 407,325.50</b>	
Labor - Hair	\$ 138,986.78	34%
Supplies - Hair	\$ 56,263.45	
<b>Hair Dept Gross Profit</b>	<b>\$ 212,075.28</b>	<b>52%</b>
Service Sales - Hair	\$ 359,510.50	
Service Labor - Hair	\$ 134,205.28	
Back Bar - Hair	\$ 32,355.95	
<b>Service Gross Profit - Hair</b>	<b>\$ 192,949.28</b>	<b>54%</b>
Retail Sales - Hair	\$ 47,815.00	
Retail Comm - Hair	\$ 4,781.50	
COGS Retail - Hair	\$ 23,907.50	
<b>Retail Gross Profit - Hair</b>	<b>\$ 19,126.00</b>	<b>40%</b>

# Revenue per Square Foot

- 14k square foot facility
- 9 treatment rooms – 5 esthetics, 4 mass
- 10 pedicure, 5 manicure
- 8 hair cutting, 4 hair color
- Mens & Women's locker rooms
- Quiet lounge, transition area, retail area
- Offices, break room

# Overall Rev/Sq Foot

\$2.2m year/14,000 sq ft =  
\$151/ square foot

# Sq Ft Support Areas

■ Grossing factor	4500 sq ft
■ Retail	1500 sq ft
■ Offices/break rm	1000 sq ft
■ Locker rooms	800 sq ft
■ Lounges	1000 sq ft
<b>TOTAL</b>	<b>8800 sq ft</b>

# Sq Ft Dept Breakdowns

- Hair Dept 2000 sq ft
- Esthetics 1100 sq ft
- Massage & Body 900 sq ft
- Nails 1200 sq ft





A hand holding a black pen points to a table of numbers displayed on a screen. The table has four columns and several rows of data. The numbers are in various colors (blue, green, red) and some are bolded. The pen is positioned over the value 156,3 in the third column of the sixth row.

		40,0	298,1	
	1971*		36,1	
		-20*	-442*	
	1752*	-605*	-1070*	
	-34	-74		
	-434	288	430	
	171,9	156,3	162,8	
	-2,6	1,7	1,2	6,0
	18,9	13,9	19,4	20,6
	1,8	1,1	16,4	21,8
	142,5	143,0	138,6	127,8
	41 431	41 396	38 317	36 401

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**Q & A with Lisa Starr**  
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