The background of the top half of the page features a collection of dental instruments, including several probes and explorers, arranged vertically. On the right side, a magnifying glass is positioned over a portrait of Benjamin Franklin, which is a detail from a US one-dollar bill. The instruments and the magnifying glass are set against a light, neutral background.

# AVERAGE OPERATING EXPENSES FOR PROFESSIONAL DENTAL PRACTICES

2008 DATA COMPILED IN 2009



[www.IndianaDentalCPAs.com](http://www.IndianaDentalCPAs.com)

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July 20, 2009

Dear Clients and Friends:

We are pleased to provide you with our annual comparison of Indiana dental practice operating expenses. The following pages compare data for the years 2008 and 2007 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 (new for 2008).

We anticipate that you will find this useful in your practice planning and analysis. We welcome your questions and comments. Please contact me at 317-472-2203 or [RRice@SomersetCPAs.com](mailto:RRice@SomersetCPAs.com) if you would like to discuss the specifics of your practice.

Sincerely,

SOMERSET CPAs, P.C.

Roy R. Rice, CPA  
Principal, Dental Team

# General Dentistry

Operating Expenses	2008	2007
Office salaries	25.02%	24.65%
Payroll taxes	2.70%	2.65%
Property taxes	0.26%	0.32%
Rent	5.05%	4.57%
Dental supplies	6.29%	5.87%
Laboratory expenses	6.79%	5.01%
Laundry and uniform allowances	0.20%	0.13%
Office supplies	1.53%	1.43%
Postage	0.24%	0.23%
Telephone	0.62%	0.44%
Dues and subscriptions	0.28%	0.33%
Insurance	1.03%	0.99%
Employee medical	0.17%	0.00%
Repairs and maintenance	0.54%	0.65%
Bank charges	0.67%	0.45%
Payroll service fee	0.23%	0.17%
Licenses and fees	0.03%	0.02%
Meetings/education	0.45%	0.31%
Amortization	0.32%	0.18%
Depreciation	5.11%	2.19%
Professional fees	1.19%	1.06%
Profit sharing plan expense	2.41%	1.93%
Miscellaneous	0.43%	0.62%
Equipment rental	0.02%	0.01%
Utilities	0.58%	0.67%
Collection expense	0.01%	0.01%
Promotion	1.53%	1.23%
Employee benefit programs	0.90%	0.86%
Business gifts	0.05%	0.05%
Contributions	0.05%	0.05%
Travel and entertainment	0.32%	0.34%
Auto expense	0.62%	0.32%
Outside services	0.72%	0.69%
Advertising	0.00%	0.00%
<b>Total Operating Expenses as a Percentage of Professional Fees</b>	<b>66.34%</b>	<b>58.41%</b>

# Endodontics

<b>Operating Expenses</b>	<b>2008</b>	<b>2007</b>
Office salaries	15.39%	14.81%
Payroll taxes	2.63%	2.48%
Property taxes	0.17%	0.21%
Rent	4.38%	4.09%
Dental supplies	5.91%	6.22%
Laboratory expenses	0.41%	0.35%
Laundry and uniform allowances	0.15%	0.18%
Office supplies	1.18%	1.02%
Postage	0.20%	0.20%
Telephone	0.55%	0.51%
Dues and subscriptions	0.44%	0.37%
Insurance	1.67%	1.63%
Employee medical	0.60%	0.55%
Repairs and maintenance	0.51%	0.32%
Bank charges	0.99%	0.72%
Payroll service fee	0.06%	0.06%
Licenses and fees	0.04%	0.01%
Meetings/education	0.70%	0.76%
Amortization	0.11%	0.11%
Depreciation	1.81%	2.09%
Professional fees	0.98%	1.19%
Profit sharing plan expense	5.64%	5.97%
Miscellaneous	0.50%	0.34%
Equipment rental	0.01%	0.01%
Utilities	0.35%	0.32%
Collection expense	0.04%	0.03%
Promotion	0.99%	0.93%
Employee benefit programs	0.00%	0.00%
Business gifts	0.00%	0.00%
Contributions	0.01%	0.01%
Travel and entertainment	0.53%	0.30%
Auto expense	0.93%	0.72%
Outside services	1.11%	1.14%
Advertising	0.00%	0.00%
<b>Total Operating Expenses as a Percentage of Professional Fees</b>	<b>49.01%</b>	<b>47.67%</b>

# Oral and Maxillofacial Surgery

Operating Expenses	2008	2007
Office salaries	22.73%	21.33%
Payroll taxes	2.65%	2.67%
Property taxes	0.07%	0.07%
Rent	5.04%	4.46%
Dental supplies	9.96%	10.99%
Laboratory expenses	0.02%	0.03%
Laundry and uniform allowances	0.15%	0.19%
Office supplies	1.33%	1.27%
Postage	0.31%	0.30%
Telephone	1.31%	0.87%
Dues and subscriptions	0.50%	0.41%
Insurance	3.93%	3.39%
Employee medical	0.07%	0.18%
Repairs and maintenance	0.72%	0.64%
Bank charges	0.91%	0.79%
Payroll service fee	0.04%	0.04%
Licenses and fees	0.20%	0.05%
Meetings/education	0.42%	0.40%
Amortization	0.00%	0.00%
Depreciation	1.55%	1.85%
Professional fees	0.17%	0.31%
Profit sharing plan expense	6.31%	2.37%
Miscellaneous	0.09%	0.25%
Equipment rental	0.00%	0.04%
Utilities	0.10%	0.11%
Collection expense	0.27%	0.30%
Promotion	0.18%	0.16%
Employee benefit programs	1.13%	1.10%
Business gifts	0.03%	0.04%
Contributions	0.04%	0.04%
Travel and entertainment	0.29%	0.32%
Auto expense	0.10%	0.13%
Outside services	0.57%	0.57%
Advertising	0.47%	0.40%
<b>Total Operating Expenses as a Percentage of Professional Fees</b>	<b>61.67%</b>	<b>56.08%</b>

# Orthodontics

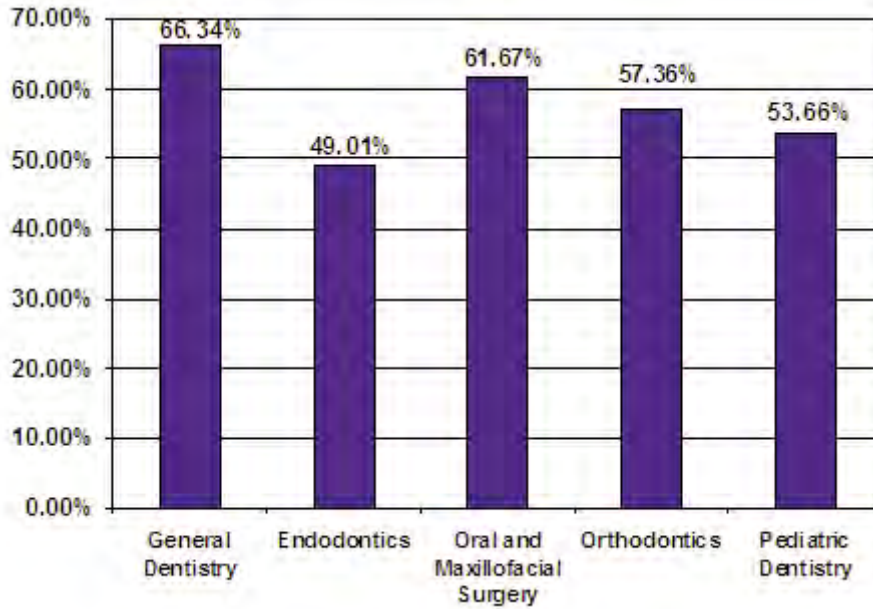
<b>Operating Expenses</b>	<b>2008</b>	<b>2007</b>
Office salaries	19.05%	19.73%
Payroll taxes	2.32%	2.35%
Property taxes	0.66%	0.45%
Rent	5.82%	6.14%
Dental supplies	10.92%	9.23%
Laboratory expenses	1.96%	1.66%
Laundry and uniform allowances	0.25%	0.21%
Office supplies	2.95%	3.01%
Postage	0.16%	0.14%
Telephone	0.64%	0.66%
Dues and subscriptions	0.38%	0.38%
Insurance	1.04%	0.90%
Employee medical	0.21%	0.19%
Repairs and maintenance	0.82%	0.57%
Bank charges	0.75%	0.91%
Payroll service fee	0.07%	0.07%
Licenses and fees	0.01%	0.02%
Meetings/education	0.49%	0.33%
Amortization	0.67%	0.72%
Depreciation	1.67%	1.98%
Professional fees	0.95%	0.83%
Profit sharing plan expense	1.53%	2.24%
Miscellaneous	0.32%	0.34%
Equipment rental	0.00%	0.00%
Utilities	0.85%	0.78%
Collection expense	0.00%	0.01%
Promotion	1.08%	1.21%
Employee benefit programs	0.43%	0.26%
Business gifts	0.07%	0.09%
Contributions	0.38%	0.29%
Travel and entertainment	0.64%	0.84%
Auto expense	0.28%	0.46%
Outside services	0.01%	0.31%
Advertising	0.00%	0.00%
<b>Total Operating Expenses as a Percentage of Professional Fees</b>	<b>57.36%</b>	<b>57.31%</b>

# Pediatric Dentistry

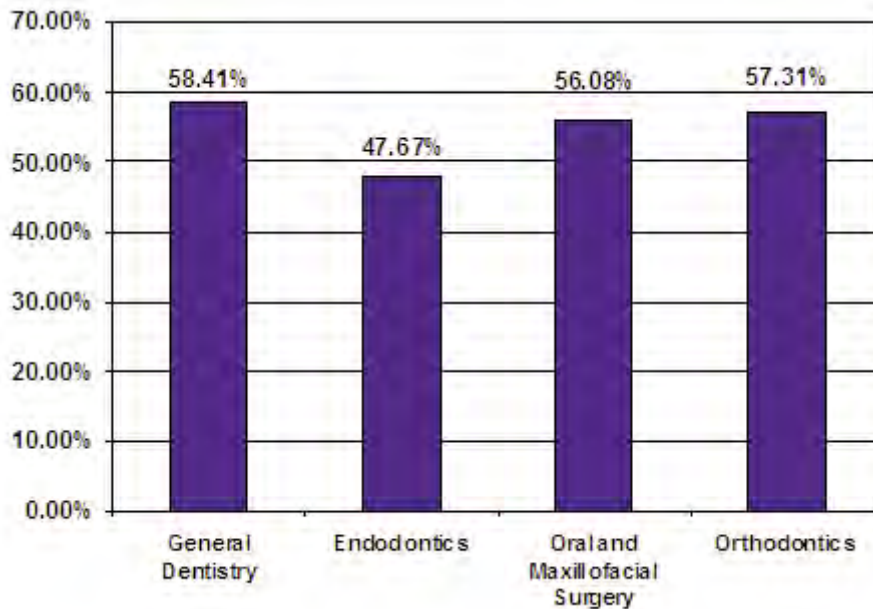
<b>Operating Expenses</b>	<b>2008</b>
Office salaries	23.76%
Payroll taxes	2.51%
Property taxes	0.43%
Rent	5.86%
Dental supplies	6.32%
Laboratory expenses	0.59%
Laundry and uniform allowances	0.07%
Office supplies	1.65%
Postage	0.38%
Telephone	0.47%
Dues and subscriptions	0.33%
Insurance	0.77%
Employee medical	0.00%
Repairs and maintenance	0.42%
Bank charges	0.33%
Payroll service fee	0.03%
Licenses and fees	0.09%
Meetings/education	0.62%
Amortization	0.70%
Depreciation	0.70%
Professional fees	1.15%
Profit sharing plan expense	2.20%
Miscellaneous	0.35%
Equipment rental	0.08%
Utilities	0.84%
Collection expense	0.01%
Promotion	1.72%
Employee benefit programs	0.09%
Business gifts	0.00%
Contributions	0.00%
Travel and entertainment	0.24%
Auto expense	0.28%
Outside services	0.68%
Advertising	0.00%
<b>Total Operating Expenses as a Percentage of Professional Fees</b>	<b>53.66%</b>

# Comparison by Practice Type

## 2008 Average Operating Expenses



## 2007 Average Operating Expenses



# Somerset 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.



**Roy R. Rice, CPA**  
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Roy is a principal of Somerset CPAs and is a leader in our Dental and Tax Teams. He consults with numerous dental and health care professionals as well as owners of entrepreneurial businesses in a variety of industries. Roy's service expertise includes income, estate and retirement tax planning; tax return preparation for businesses, individuals, estates and trusts; financial and investment planning and financial statement compilations and reviews. He graduated from Indiana University in 1969 with a B.S. degree in accounting. He was employed by Arthur Andersen & Company for six years before co-founding the firm of McGee, Rice & Wheat, CPAs in November 1974. In September of 1999, McGee, Rice & Wheat merged with Somerset. In 2004 Roy was added to the Indianapolis Medical Society's Preferred Resources List, an honor that was bestowed upon him by a physician client. He is the Indiana representative of ADS (American Dental Sales). Roy is a member of the American Institute of CPAs and the Indiana CPA Society of which he is a past president of the Indianapolis chapter. In 2008, Roy was recognized as an Individual Tax Super CPA by the Indiana CPA Society. Roy's community service includes serving as foundation treasurer of the East 91st Street Christian Church, board member and treasurer of Agape Therapeutic Riding Center for the Handicapped and past treasurer of the Heritage Christian School Booster Club.



**Andrew L. DePew, CPA**  
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Andy is a principal in Somerset's Health Care and Dental Teams. He works with physician groups, dental practices and their administrators regarding their tax planning, financial statements, cash flow analysis, development and review of income distribution methodologies and practice operations. Prior to joining Somerset in 1995, Andy gained experience with another Indiana CPA firm where his client base included privately-held businesses, and he prepared financial statements and completed tax returns for C corporations, S corporations and partnerships. Andy's experience is distinguished by the fact that he received the second highest score in the state on the November 1994 CPA examination. He graduated from Ball State University in 1993 where he received his B.S. in accounting. Andy is a member of the Indiana CPA Society, the American Institute of CPAs, the Indiana Medical Group Management Association and the Medical Group Management Association.

# Somerset Dental Team



**Andrew D. Hamaker, CPA**  
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Andy is a principal in Somerset's Dental and Health Care Teams. He works with physicians and dental professionals to negotiate and obtain financing and has been involved in projections and forecasts for physician practices and medical ancillary opportunities. His areas of expertise include operations, financial planning, negotiations, valuations and strategic planning. Before joining Somerset in 1997, he worked with a local CPA firm and audited hospitals, home care organizations and hospital foundations. Andy graduated from Ball State University in 1991. In addition to his professional association memberships, he is on the board of directors for Storytelling Arts of Indiana, Inc., treasurer of the Murat Mobil Nobles and a member of the Royal Order of Jesters, Court #15. Andy sat on the Taxation Standard Setting Committee for the American Institute of Certified Public Accountants in order to set standards for the Uniform CPA Exam. He is a member of the Indiana CPA Society, American Institute of CPAs, Medical Group Management Association, Indiana Medical Group Management Association, Indiana Federation of Ambulatory Surgery Centers and Federated Ambulatory Surgery Center Association.



**Thomas J. Thieme, CPA/ABV, CMA**  
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Tom is a principal in our Entrepreneurial and Litigation & Valuation Teams. He is involved in valuations for dentists buying or selling practices as well as mergers and acquisitions, buy/sell agreements and estates for businesses and individuals in a variety of industries. Tom has experience in reviewing and auditing financial statements, personal and corporate taxation, business valuations and business forecasts and projections. He graduated with distinction in 1993 from Purdue University with a B.S. in accounting. Tom holds the Certified Management Accountant designation and the Accredited in Business Valuation certification. He is a member of the American Institute of CPAs, the Indiana CPA Society and the Institute of Management Accountants. Tom also participates in the John Purdue Club. Tom is the treasurer for YPress, Inc., a not-for-profit children's news organization.

# Somerset Dental Team



**Douglas R. Ayres, CPA/ABV**

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Doug is a manager at Somerset CPAs and is a member of our Litigation & Valuation and Entrepreneurial Teams. He provides business valuation and litigation support services, including damage calculations, divorce planning, business valuation services for estate, charitable and gift taxes and shareholder and partner disputes. He also performs tax and financial services for corporations, partnerships and individuals. Doug joined Somerset in 2002 after graduating Summa Cum Laude from Ball State University in 2001 with a B.S. degree in accounting. He is currently a member of the Indiana CPA Society (INCPAS) and the American Institute of CPAs. Doug participates in the INCPAS Emerging Leaders Alliance.



**Susan E. Moyer, CPA**

**317.472.2213**

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Susan is a manager on our Tax and Dental Teams at Somerset. Throughout her career, she has developed an expertise in tax planning and preparation for dental practices, entrepreneurial businesses, physician groups and not-for-profit organizations. Susan graduated from Bluffton University in 1982 with a B.A. in accounting. Also, Susan is a member of the Indiana CPA Society and the American Institute of CPAs.



**Carla S. Baugher**

**317.472.2207**

**cbaugher@somersetcpas.com**

Carla is a supervisor on our Tax and Dental Teams. She provides her accounting and tax expertise to a variety of clients. Carla's accounting background includes management and financial experience within the dental/health care and public accounting industry. She is a 1987 graduate of Ball State University with a B.S. in accounting.

Helping you drill  
down to practice

excellence.



## Dental Team

Somerset CPAs

Today's dental professionals have unique needs, and we understand the challenges of your business. Somerset's Dental Team members are ready to put their industry experience and knowledge to work for you.

Your practice's health is important to us. We will develop practical solutions to help you succeed. Our CPAs and consultants will help you set business and financial goals. We don't stop there; we will work with you and your team to fully implement the solutions in a way that works for your practice.

How can we move your practice to a new level? Our professionals can perform an operations review and analyze your internal controls. We can assist you with strategic planning, succession planning, determining productivity goals and benchmarking your fees. We can help you calculate chair-time value for various procedures and perform a profitability analysis by procedure. Then, we will help you use this information to make the best decisions for your practice.

Of course, we assist you with tax planning and preparation. However, our comprehensive business and financial services go way beyond traditional CPA services. Our Dental Team consultants are passionate about helping their dental clients succeed.

Find out how Somerset CPAs can help you look at your practice in a new way. Call 317-472-2200 or 800-469-7206 today and request a complimentary initial consultation.

## Dental Team Services Offered

### Dental Practice Sales

- Assistance in selling or buying dental practices
- Practice transitions
- Practice valuations
- Indiana representative of ADS

### Consulting Services

- Strategic planning/business plan development
- Fee schedule development
- Accounts receivable and collection analysis and management
- Accounting software selection, installation and training
- Operations and internal control reviews
- Employee benefit plan analysis and design
- Income distribution methodology design
- Merger, acquisition and succession planning
- Group practice governance design and succession planning
- HIPAA compliance

### Accounting Services

- Financial statement compilations
- Bookkeeping services
- Payroll processing

### Tax Services

- Tax return preparation and planning
- Tax research
- Analysis of tax consequences for mergers, joint ventures, acquisitions and divestitures
- Tax controversy resolution
- Sales/use tax payment requirements and planning
- Property tax return preparation and analysis
- Payroll tax return preparation and planning
- Entity choice analysis
- Asset acquisition/lease analysis
- Accounting method determination
- Federal and state identification number application processing



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