

2007 DATA COMPILED IN 2008

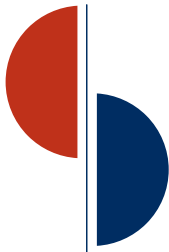
AVERAGE OPERATING
EXPENSES FOR
PROFESSIONAL
DENTAL PRACTICES

www.IndianaDentalCPAs.com



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September 8, 2008

Dear Clients and Friends:

We are pleased to provide you with our annual comparison of dental practice operating expenses. The following pages compare data for the years 2007 and 2006 from amongst our clients throughout central Indiana. The information is presented according to practice type—General Dentistry, Endodontia, Oral Surgery and Orthodontia.

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 if you would like to discuss the specifics of your practice.

Sincerely,

SOMERSET CPAs, P.C.

Roy R. Rice, CPA
Principal, Dental Team

Accounting
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GENERAL DENTISTRY

Operating Expenses	2007	2006
Office salaries	24.65%	25.90%
Payroll taxes	2.65%	2.82%
Property taxes	0.32%	0.32%
Rent	4.57%	5.65%
Dental supplies	5.87%	6.02%
Laboratory expenses	5.01%	5.42%
Laundry and uniform allowances	0.13%	0.16%
Office supplies	1.43%	1.73%
Postage	0.23%	0.29%
Telephone	0.44%	0.59%
Dues and subscriptions	0.33%	0.34%
Insurance	0.99%	1.00%
Employee medical	0.00%	0.00%
Repairs and maintenance	0.65%	0.55%
Bank charges	0.45%	0.48%
Payroll service fee	0.17%	0.06%
Licenses and fees	0.02%	0.08%
Meetings/education	0.31%	0.51%
Amortization	0.18%	0.30%
Depreciation	2.19%	2.40%
Professional fees	1.06%	1.03%
Profit sharing plan expense	1.93%	1.77%
Miscellaneous	0.62%	0.55%
Equipment rental	0.01%	0.01%
Utilities	0.67%	0.88%
Collection expense	0.01%	0.02%
Promotion	1.23%	1.38%
Employee benefit programs	0.86%	0.86%
Business gifts	0.05%	0.03%
Contributions	0.05%	0.09%
Travel and entertainment	0.34%	0.35%
Auto expense	0.32%	0.54%
Outside labor	0.69%	0.77%
Advertising	0.00%	0.00%
Total Operating Expenses as a Percentage of Professional Fees	58.41%	62.87%

Operating Expenses	2007	2006
Office salaries	14.81%	14.39%
Payroll taxes	2.48%	2.51%
Property taxes	0.21%	0.22%
Rent	4.09%	4.00%
Dental supplies	6.22%	6.55%
Laboratory expenses	0.35%	0.31%
Laundry and uniform allowances	0.18%	0.22%
Office supplies	1.02%	1.56%
Postage	0.20%	0.23%
Telephone	0.51%	0.50%
Dues and subscriptions	0.37%	0.39%
Insurance	1.63%	1.64%
Employee medical	0.55%	0.53%
Repairs and maintenance	0.32%	0.45%
Bank charges	0.72%	0.62%
Payroll service fee	0.06%	0.06%
Licenses and fees	0.01%	0.02%
Meetings/education	0.76%	0.60%
Amortization	0.11%	0.13%
Depreciation	2.09%	1.74%
Professional fees	1.19%	0.90%
Profit sharing plan expense	5.97%	4.78%
Miscellaneous	0.34%	0.37%
Equipment rental	0.01%	0.01%
Utilities	0.32%	0.29%
Collection expense	0.03%	0.04%
Promotion	0.93%	0.60%
Employee benefit programs	0.00%	0.00%
Business gifts	0.00%	0.00%
Contributions	0.01%	0.01%
Travel and entertainment	0.30%	0.45%
Auto expense	0.72%	0.62%
Outside labor	1.14%	1.20%
Advertising	0.00%	0.00%
Total Operating Expenses as a Percentage of Professional Fees	47.67%	45.95%

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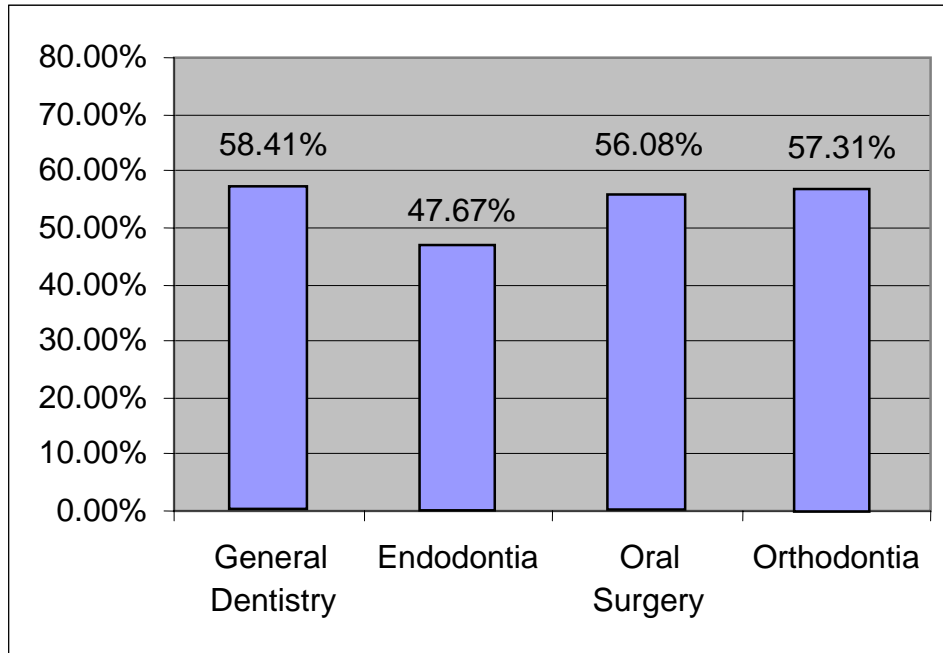
ORAL SURGERY

Operating Expenses	2007	2006
Office salaries	21.33%	18.55%
Payroll taxes	2.67%	2.54%
Property taxes	0.07%	0.18%
Rent	4.46%	6.09%
Dental supplies	10.99%	8.54%
Laboratory expenses	0.03%	0.22%
Laundry and uniform allowances	0.19%	0.22%
Office supplies	1.27%	2.27%
Postage	0.30%	0.25%
Telephone	0.87%	1.24%
Dues and subscriptions	0.41%	0.57%
Insurance	3.39%	3.24%
Employee medical	0.18%	0.89%
Repairs and maintenance	0.64%	0.56%
Bank charges	0.79%	0.68%
Payroll service fee	0.04%	0.05%
Licenses and fees	0.05%	0.05%
Meetings/education	0.40%	0.64%
Amortization	0.00%	0.00%
Depreciation	1.85%	3.84%
Professional fees	0.31%	0.95%
Profit sharing plan expense	2.37%	1.62%
Miscellaneous	0.25%	0.55%
Equipment rental	0.04%	0.00%
Utilities	0.11%	0.03%
Collection expense	0.30%	0.32%
Promotion	0.16%	0.49%
Employee benefit programs	1.10%	1.11%
Business gifts	0.04%	0.24%
Contributions	0.04%	0.28%
Travel and entertainment	0.32%	1.71%
Auto expense	0.13%	1.03%
Outside labor	0.57%	0.35%
Advertising	0.40%	0.86%
Total Operating Expenses as a Percentage of Professional Fees	56.08%	60.18%

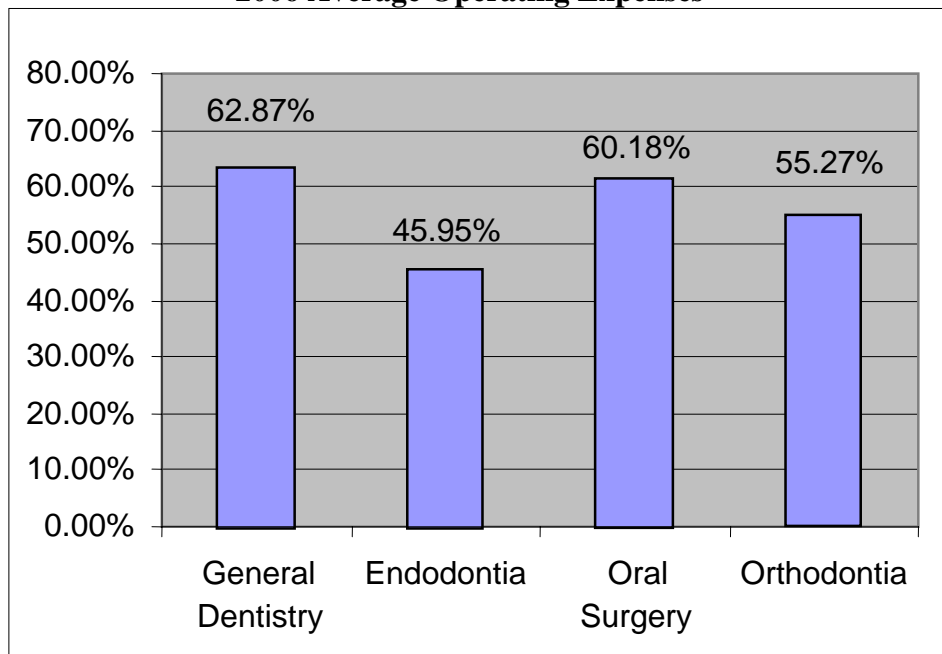
Operating Expenses	2007	2006
Office salaries	19.73%	20.60%
Payroll taxes	2.35%	2.35%
Property taxes	0.45%	0.53%
Rent	6.14%	5.20%
Dental supplies	9.23%	9.84%
Laboratory expenses	1.66%	1.02%
Laundry and uniform allowances	0.21%	0.22%
Office supplies	3.01%	2.82%
Postage	0.14%	0.15%
Telephone	0.66%	0.89%
Dues and subscriptions	0.38%	0.27%
Insurance	0.90%	0.92%
Employee medical	0.19%	0.30%
Repairs and maintenance	0.57%	0.54%
Bank charges	0.91%	0.50%
Payroll service fee	0.07%	0.09%
Licenses and fees	0.02%	0.01%
Meetings/education	0.33%	0.36%
Amortization	0.72%	0.53%
Depreciation	1.98%	1.88%
Professional fees	0.83%	0.60%
Profit sharing plan expense	2.24%	2.41%
Miscellaneous	0.34%	0.08%
Equipment rental	0.00%	0.00%
Utilities	0.78%	0.54%
Collection expense	0.01%	0.00%
Promotion	1.21%	0.92%
Employee benefit programs	0.26%	0.25%
Business gifts	0.09%	0.32%
Contributions	0.29%	0.45%
Travel and entertainment	0.84%	0.34%
Auto expense	0.46%	0.35%
Outside labor	0.31%	0.00%
Advertising	0.00%	0.00%
Total Operating Expenses as a Percentage of Professional Fees	57.31%	55.27%

COMPARISON BY PRACTICE TYPE

2007 Average Operating Expenses



2006 Average Operating Expenses



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 of our Tax Team and Dental Team. He consults with privately-held companies in various industries as well as many individual clients. His services include 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. 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.



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Andy is a principal in Somerset's Health Care Team. Prior to joining the firm 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. At Somerset he is a member of the Health Care Team and works with physician groups and administrators regarding their tax planning, financial statements, cash flow analysis, development and review of income distribution methodologies and practice operations. Andy's experience is further 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.

DENTAL TEAM



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Andy is a principal in Somerset's Health Care Team. Before joining Somerset in 1997, he worked with a local CPA firm and audited hospitals, home care organizations and hospital foundations. He has helped physicians negotiate and obtain financing and has been involved in projections and forecasts for physician practices and medical ancillary opportunities. His areas of expertise in the ancillary arena include operations, financial planning, negotiations, valuations and strategic planning. 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 (AICPA) 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.



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Doug is a manager at Somerset CPAs and is a member of our Litigation & Valuation Team and Entrepreneurial Team. 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.



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Susan is a manager on our Tax Team at Somerset. Throughout her career, she has developed an expertise in tax planning and preparation for 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
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Carla is a supervisor on our Tax Team. She provides her accounting and tax expertise to a variety of clients. Carla's accounting background includes management and financial experience within the health care and public accounting industry. She is a 1987 graduate of Ball State University with a B.S. in accounting.

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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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