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Grow Your Business

MAKE MORE MONEY WITH RENTALS



Presented By

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Session Objectives

- Review the **core components** of a healthy rental program.
- Learn how to **evaluate** your rental program profitability.
- Discover new ways to make your rental program **more profitable**.
- **Q&A** Along the Way

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The Basics of Rentals





Relationships are Key!



- School Districts
- Music Instructors
- Repair Facilities



Keeping Track of the Rentals

- Monthly Payments
- Collections





The Legal Side of Rentals



- Are your contracts legal?
- Do you know how to account for the rentals?

A Quick Test...which one is correct?

OPTION #1

BALANCE SHEET	
Assets	
Current Assets	
Cash	\$ 30
Rental receivables	-
	<u>30</u>
Fixed Assets	
Rental instrument pool	360
Less accumulated depreciation	(10)
	<u>350</u>

INCOME STATEMENT	
SALES	\$ -
COST OF GOODS SOLD	-
	<u>GROSS PROFIT -</u>
OTHER OPERATING INCOME	
Rental income	30
Less depreciation expense	(10)
	<u>TOTAL OTHER OPERATING INCOME 20</u>

OPTION #2

BALANCE SHEET	
Assets	
Current Assets	
Cash	\$ 30
Rental receivables	750
	<u>780</u>
Fixed Assets	
Rental instrument pool	-
Less accumulated depreciation	-
	<u>-</u>
	<u>TOTAL ASSETS \$ 780</u>

INCOME STATEMENT	
SALES	\$ 780
COST OF GOODS SOLD	360
	<u>GROSS PROFIT 420</u>
OTHER OPERATING INCOME	
Rental income	-
Less depreciation expense	-
	<u>TOTAL OTHER OPERATING INCOME -</u>

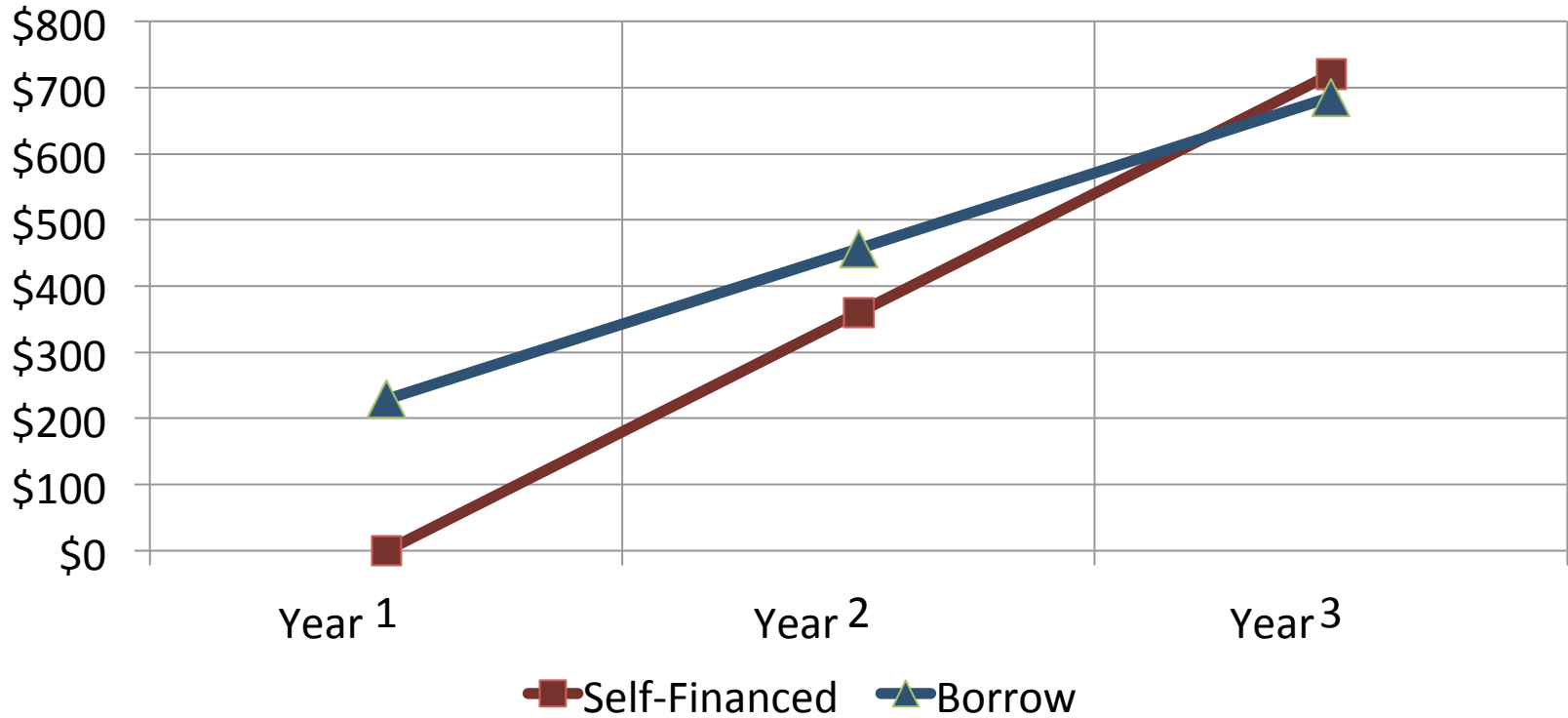


Rentals are an Investment

Bank financing may
be needed!



Can you “afford” to rent?



***This scenario assumes all units are rented and payments are made.
Additional overhead costs are not reflected.*



Measuring the Profitability of your Rentals



Net Rental Income

Are you making
money?

INCOME STATEMENT	
SALES	\$ 425,000
COST OF GOODS SOLD	<u>300,000</u>
GROSS PROFIT	<u>125,000</u>
OTHER OPERATING INCOME	
Rental income	235,000
Less depreciation expense	<u>(165,000)</u>
NET RENTAL INCOME	<u>70,000</u>
EXPENSES	<u>165,000</u>
NET INCOME	<u><u>\$ 30,000</u></u>



Rate of Return on Rental Investment

How long does it take
you to recoup your
cost?



BALANCE SHEET

Fixed Assets	
Rental instrument pool	\$ 275,000
Less accumulated depreciation	(210,000)
	<u>65,000</u>

INCOME STATEMENT

OTHER OPERATING INCOME	
Rental income	\$ 235,000
Less depreciation expense	(165,000)
NET RENTAL INCOME	<u>70,000</u>

<u>Annual Rental Income</u>	<u>\$235,000</u>
Rental Instrument Pool Cost	\$275,000

In this example, this rental pool recoups 85% of its cost annually. That means it takes a little over 14 months for this pool to “break-even” from a cost perspective.



Instrument Return Rate

Do you have any instruments on the shelves at the end of the rental season?

Delinquent Accounts

The only thing worse than “slow payers” is “no payers”!



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Making
Rentals
More
Profitable



Are you priced
competitively
and to make a
profit?





Foster Existing Relationships

- Intermediate and Pro Instrument Upgrades
- Private or Group Lessons
- Performance Opportunities

Relationships with Music Instructors

- Encourage and give them tools to start more beginners
- Ask them how you can help them grow their program



Track Everything for Improvement

- Monthly
 - Profitability
 - Collections
- Annually
 - Rental Returns
 - Rate of Return on Rental Investment





Q&A

You have

Questions

We have

Answers



Consulting Meetings



friedman kannenberg
and company pc

Contact Jen **outside the Idea Center entrance**
after this session to set up a meeting time