

10 Bookkeeping TIPS for Yoga Studios



Photo by lucytoon



TABLE OF CONTENTS

2	Introduction
4	Thoughts from an Insider
6	Tip 1: Choose an Entity Type with Your CPA
8	Tip 2: Set Up a Team for Bookkeeping Aspects
9	Tip 3: Point Of Sale System
11	Tip 4: QuickBooks for an Accounting Software
12	Tip 5: Eliminate Employee Theft
13	Tip 6: Develop an Accounts Payable System
14	Tip 7: Payroll Strategies
16	Tip 8: Independent Contractors vs Employees
18	Tip 9: Reconcile All Your Accounts
20	Tip 10: Growing Your Yoga Studio through Financial Reporting

Introduction

PAGE

2

Starting your own business is an exciting time, but it can also be stressful. Most new business owners understand they will be busy, they just don't realize how demanding running your own business can be until they are in the thick of it. You most likely wanted to start your own yoga studio because you are passionate about yoga. The day to day tasks of running your own yoga studio will take you away from what you truly love to do. You need to decide which tasks to take on yourself and those that you will want help with. When it comes to bookkeeping for your yoga studio I don't ever recommend that you step out of the process completely. It is important to understand the financial aspects of your business and how to continually improve the profitability of your studio.



We created this eBook for the aspiring yoga studio owner as a financial guide to starting your business. We hope that you learn valuable information such as:

- Financial and tax issues you need to consider before forming your business.
- Exploring software and point of sale options before purchasing.
- Putting together a financial team to help you run your business.
- How you can use your bookkeeping system to grow a successful business.

PAGE

3



Thoughts from an Insider

PAGE

4



Alex Wheeler

Owner Mountain Yoga Sandy



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Are you thinking about opening a yoga or wellness business? Maybe you already have run one for a few years. Either way you need to know or already have begun to realize the true demands of running a service business which is often open 7 days per week, 365 days a year, from 5 am – 10pm. Soon you will realize that you have opened two businesses at the same time, the front and back of the house simultaneously. Running a yoga studio or wellness center is a bit like putting a square peg in a round hole, every day you widdle away trying to fit the peg in.

Just like any business there are financial stressors, but at the same time you are often selling an environment that is supposed to have no stress. The daily demands of your clients is absolutely a full time job, but if someone is not managing the books with close scrutiny you will no longer have a business. There is not possibly enough time in the day to run both by yourself effectively.

Setting yourself up for success in the beginning by defining your strengths and weaknesses is essential. Your business plan should address your weaknesses by defining which entities will help the business set sail and maintain course, as in the use of a bookkeeper, CPA and payroll service. Most likely you are getting into this business opportunity because you are attracted to the lifestyle that it potentially offers, not because you love bookkeeping and year-end paperwork.



Photo by Tomas Sobek

Tip #1:

Choose an Entity Type with Your CPA

PAGE

6

It is extremely important that you choose a business entity type with your CPA. Depending upon the details of your tax situation it may be advantageous to form your business with a particular entity type. Many business owners choose an LLC because that is what they think is best. S-Corp's can be very advantageous for some business owners but are often overlooked as an entity type option. It is well worth the money to go through the process of a tax evaluation with your CPA when choosing an entity type for your yoga studio. Also, make sure to choose a CPA that fits your personality and business as well. Not all CPA's are a good fit for every business. Ask for a CPA referral from your business network and find a good fit for your business.

Sole Proprietor	Partnership	LLC	S Corporation	C Corporation
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Takeaway:

Find a CPA that meets your business and personal needs.

PAGE

7

6 questions to ask CPA's to find the right fit

- Do you have any experience working with businesses in our industry or of similar size?
- Do you offer general tax advice taking into consideration my personal tax situation?
- Do you offer tax consultations before year-end along with a tax liability estimate and options for tax advantageous moves?
- Can you offer entity type formation advice and help with the formation of my business?
- What sets you apart from other CPA's?
- Why should I work with you over your competition?

Tip #2:

Set Up a Team for Bookkeeping Aspects

PAGE

8

You are going to want to have at least a few people helping in the bookkeeping process. You will need someone to handle the cash deposits. We recommend an owner or manager handling cash deposits and your bookkeeper verifying those cash deposits. You will also need someone to handle your accounts payable. This should be handled by someone that is heavily involved in the day to day activities of the business. Lastly, you will need someone to handle the actual bookkeeping for your business. You will need someone to enter sales, payments and reconcile the books. While it might make sense to have your bookkeeper handle all these aspects, I would recommend splitting up these tasks to insert checks and balances into your bookkeeping system.

Takeaway:

A bookkeeping team will input checks and balances into your system.

Tip #3:

Point Of Sale System – marketing power of POS

PAGE

9

Having a point of sale system for your yoga studio has many advantages. A point of sale system makes charging for products and services extremely easy. The ability to accept various payment forms helps make it easy for customers to pay you. Brining in money is obviously very important and you want to make it easy to do so.

From a bookkeeping perspective your point of sale system will be important as well. You want good reporting from your POS system so that you can easily get information into your accounting system. You will want to be able to produce a daily sales report showing your various sales categories and the payments. Another important piece of information that your POS system needs to be able to produce is regarding sales taxes. You want to be able to easily produce your sales tax information to make filing your taxes simple.

Point Of Sale System continued

PAGE

10

The POS software Mindbody seems to be a popular choice among yoga studios and other businesses in the health and wellness industry. Our experience with Mindbody POS software has been extremely positive. Business owners rave about the ease of programming and use of the software as well as the excellent customer support. From a bookkeeping perspective it has all the functionality you will need. In addition to tracking all of your sales, Mindbody is truly a marketing powerhouse as it is integrated with Constant Contact, Healcode, Perkiwil, Demand Force, Jill's List, and many more which are all designed to help you drive online and studio sales and retain clients. The ability for Mindbody to manage all staff, teachers and clients, to track and generate sales while easily displaying reports for your bookkeeper is priceless.

Helpful Link: Mindbody Online Business Management Software

www.mindbodyonline.com



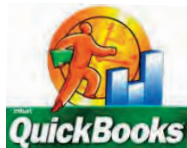
Tip #4:

QuickBooks for an Accounting Software

PAGE

11

We highly recommend using QuickBooks for your accounting system. We like to refer to QuickBooks as the accounting software for the business owner that doesn't necessarily understand the mechanics of accounting. QuickBooks makes it very easy for the small business owner to handle the day to day accounting functions that keep the business going. Creating invoices, managing bills and handling payments keeps your business functioning and they are easy tasks to learn in QuickBooks. The best part is most of the accounting is done behind the scenes just by carrying out the basic procedures in QuickBooks.



Recommendations:

<http://quickbooks.intuit.com>

QuickBooks Pro is usually powerful enough for most businesses. However, get some advice from your bookkeeper as to what best meets your specific needs.

Tip #5:

Eliminate Employee Theft: Develop a System for Cash Deposits

You will want to develop a good system for handling cash. We recommend that an owner or high level manager handle the cash deposits for your yoga studio. I would then have your bookkeeper cross check all cash deposits against your bank and daily sales reports. One system that we have had work well is to have a manager deposit the cash for a certain time period that contains several days' worth of cash sales. That information should then get emailed to your bookkeeper, who then verifies the amount against the point of sale daily sales reports. Once the information is checked and approved the bookkeeper then records the deposit into QuickBooks. It is a great system that has checks and balances to ensure cash is being handled appropriately and nobody is stealing from you.



Helpful link:
How To Make Sure Your
Bookkeeper Is Not Stealing
From You

<http://j.mp/Bookkeeping-Theft>

Tip #6:

Develop an Accounts Payable System

PAGE

13

Handling the bills for your yoga studio is simple yet can be a major bottleneck in your bookkeeping process. The one thing I recommend is having someone internal at the studio handle entering and paying the bills. You want someone that is around frequently and is involved in the day to day business tasks. If you enter and pay your bills in QuickBooks you will eliminate unnecessary data entry. We also recommend printing checks through QuickBooks, which will again reduce data entry. If your bookkeeper is handling your accounts payable they should never have the ability to sign a check or pay a bill online. That is a poor procedure that exposes you to potential theft and fraud. An owner is the only person that should have the ability to sign checks, pay bills online or move funds in any manner.

Takeaway:

As an owner don't ever lose control of paying your bills. You should always approve bills and sign checks.

Tip #7:

Payroll Strategies

PAGE

14

We recommend using an outsourced payroll company to handle all of your payroll needs. Payroll taxes and laws change frequently and having a service that specializes in payroll is beneficial. If you make errors on any of the payroll tax filings the potential penalties and interest you may face can be costly. If you outsource your payroll you put that liability on the payroll service instead of on your business. The low cost of outsourcing your payroll needs is well worth the peace of mind knowing that you will not be liable for any payroll tax filing mistakes.

One thing I would recommend is finding a payroll service that can provide you with data that can be imported into QuickBooks. Importing payroll data into your accounting system will save you time and will eliminate data entry errors.

Recommended Payroll Companies:



ADP
www.adp.com



Infinisource
www.infinisource.com



Paychex
www.paychex.com

Takeaway:

Find a Payroll Company that meets your business and personal needs.

PAGE

15

5 Questions to ask payroll companies to find the right fit for your studio

- Does your payroll company offer QuickBooks importable payroll data?
- Do you have the ability to support department/job costing?
- Do you support payrolls for multiple locations and states?
- After submitting payroll what is your turnaround time for paying employees?
- Do you offer direct deposit, digital reporting and digital paychecks?

Tip #8:

Independent Contractors vs Employees

PAGE

16

Many yoga studios have independent contractors and it is important that you handle them properly. First, you want to make sure that you follow the IRS guidelines regarding independent contractors. I have seen many yoga studios pay their instructors as independent contractors only to have them reclassified as employees in an audit. If you do have independent contractors you want to make sure that you get a W-9 form filled out, a copy of their general liability insurance certificate and workers compensation certificate or exemption certificate. Obtaining a copy of your contractor's business license is helpful but not mandatory.

Many business owners opt to pay workers as contractors rather than employees because they think it saves them money on payroll taxes. However, there are many advantages to paying workers as employees. First, you will have more control over employees to use as you see fit. By law you can't set a contractor's schedule, which may not suit your

needs very well. Another benefit of paying workers as employees is the peace of mind of not having to worry about or deal with a payroll or workforce services audit. Remember that there are different criteria regarding independent contractors between the state and federal level. It is important to check with your CPA to make sure you are in compliance with the law.

Helpful Links:

- **W-9 Form** - <http://www.irs.gov/pub/irs-pdf/fw9.pdf>
- **W-9 Instructions** - <http://www.irs.gov/pub/irs-pdf/iw9.pdf>
- **IRS Independent Contractor vs Employee Guidelines** - <http://j.mp/IRS-ind-employ>

Tip #9:

Reconcile All Your Accounts

PAGE

18

The most important part of the bookkeeping process is reconciling your accounts. It is important to reconcile all of your accounts, not just your bank accounts. Any account that gets a monthly statement with a beginning and ending balance can be reconciled. Examples of accounts that can be reconciled include bank accounts, credit cards, lines of credit, payroll liability accounts and loans. The reason that reconciling your accounts is so important is because it is the only way to ensure that all of your financial activity is recorded in your accounting system. Reconciling will produce accurate financial reports that you can use to make business decisions.

Takeaway:

Reconciling your accounts is the most important part of the bookkeeping process.

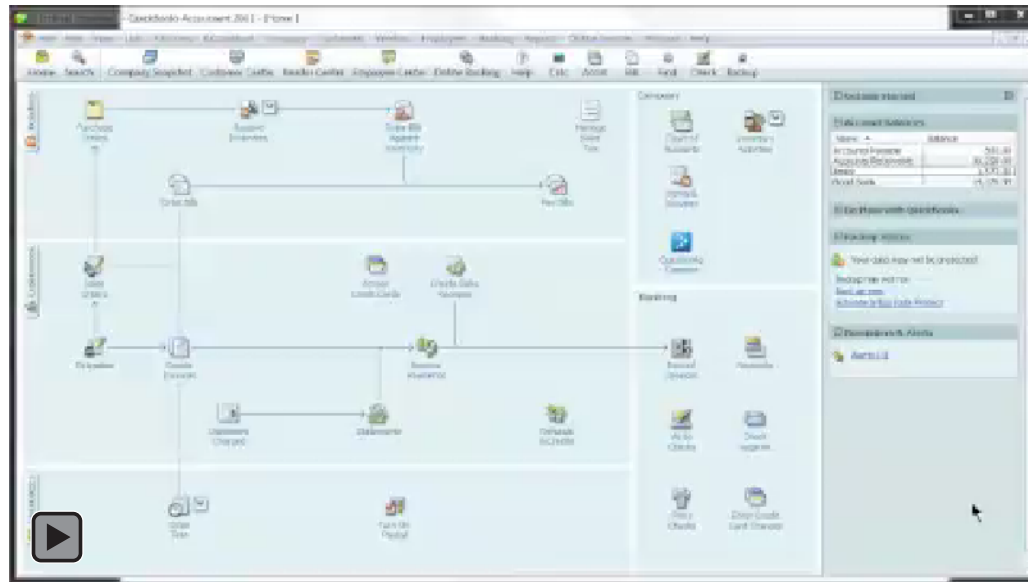
PAGE

19

Helpful link:

QuickBooks Video Tip - Reconciling QuickBooks Accounts

<http://j.mp/QB-reconciling>



Tip #10:

Growing Your Yoga Studio Through Financial Reporting

PAGE

20

If you want to grow your yoga studio accurate financial statements will be crucial. You should develop a set of financial reports that are important to you as a business owner. You should then produce and analyze those reports on a regular basis. Simple profit and loss comparisons as well as balance sheet reports should just be the beginning of your analysis. You should customize reports that are meaningful to you as a business owner to extract data that can help you grow your business.

Reviewing your financial reports regularly will give you a real time analysis of your business. You should also be able to spot trends and potential problems easier. Having a bookkeeper that understands financial forecasting and budgeting will prove invaluable. The end result will be a more intimate knowledge of the financial well-being of your yoga studio. Your goal should be to grow revenues to meet your goals. Regularly updating your bookkeeping is the only way to ensure that you are looking at accurate and up to date financial reports.

Free eBook download on...

The Benefits of Small Business Financial Reporting

PAGE

21

<http://j.mp/financial-reporting>

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SLC Bookkeeping Bio

PAGE
22

Salt Lake City Bookkeeping was started 7 years ago by Matt Roberge. Matt's vision of the business has always been that there is more to life than just work. Matt instilled a work hard, play hard mentality into the business. Matt moved to Utah to pursue his love for skiing and the outdoors. His love for entrepreneurs and small businesses is why he started a bookkeeping service geared towards those types of people. Our love for the outdoors and healthy living has caused us to run with that crowd. Therefore, we end up working with many like-minded people. Outside of the office you can find our team following their passions of skiing, fishing, biking, hiking or anything related to good clean outdoors fun.



Matt Roberge

Owner SLC Bookkeeping

www.SLCbookkeeping.com



SALT LAKE CITY
BOOKKEEPING, LLC

If you have questions or need help with Bookkeeping,

click here to **Schedule a Call** 

Want to hear how a Yoga Studio reached success by applying these Tips?

PAGE

23

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