

NHAEYC & VAEYC Administrator's Conference
February 9, 2008

Financing the Early Learning Program

8:45-11:45am

Basics of Budget

Income and Expenses

Business Plan Fundamentals

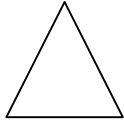
11:45am-1:00pm Lunch, network with colleagues,
visit exhibitors, Tour the facility...

1:00-3:00pm

Business Plan Fundamentals, cont.

Funding Sources

Grant Proposal Fundamentals



BUDGETING: AN OVERVIEW

(Adapted by Bess Emanuel from Financial Management courses, Wheelock College, Boston MA)

Budgeting/Financial Management: different from accounting, bookkeeping
Financial management: planning for future; accounting/bookkeeping: tracking past history

Budget = Policy All visions, dreams, policies involved in running your program will be reflected in some item in the budget.

Who has control, who sets? What input do program staff have?

Think you haven't worked on budgets? Have you wrestled with figuring out scheduling staff? What to pay staff? Then you have done the bulk of the work in formulating a budget, since this is the heart of where the money goes in any children's program, from infants through school-age. We are a labor-intensive business, appropriately so!

TRILEMMA

WAGES

AFFORDABILITY

RATIOS/QUALITY

Budget: income/expense plan, usually for a year ("Fiscal year")
Known as "operating" or "line item" budget

Budget has two sides: income/revenue; expense/expenditure
If for-profit, show excess; if not-for-profit, should balance

No one "right way" to format a budget--depends on your and agency needs.
Always do in pencil--or on computer--need to make many revisions!

EXPENSE SIDE:

Budget categories: Staffing/Personnel. Often 3/4 of money or more spent in this area

List all staff, include fringe benefits; usually expressed as a percentage of total salaries. Together these are "**Personnel Costs**". Don't forget substitutes!

Fringe benefits: required/mandated: Social Security ("FICA"), worker compensation, unemployment; optional but recommended: health insurance, retirement, etc. For salaried workers, paid time off (vacation, sick days) does not

Add all together: "**Bottom Line**"

Divide total by # of children: gives cost per child per year

Cost not same as price you charge! (See Utilization Rate, below)

Other types of budgets:

Start-up: one time only costs to begin may have different sources of funds

Functional

Program

Capital may be "bricks and mortar"

Budget is only step one in financial management!

Other financial management tools and concepts:

--Need to follow what happens by reviewing reports on a regular basis, usually monthly or quarterly. Called "Budget to Actual" or "Deviation Analysis"

--Breakeven analysis: Charts and formulas which help assess if each program component is bringing in enough money to cover costs; if not, make changes if necessary...

--Cash flow projection: Even if budget is balanced for year, may be times when bank balance can't cover bills! How to project for this and plan to avoid or seek solutions...

REVENUE/INCOME SIDE:

Policy decisions which affect budget, cash flow. What are parent fees? What will cover your costs, be realistic for families in your community, fit with market rates in area....

When do you expect tuition payments to come in? Does that schedule match when your bills are due? (Example: Ask for tuition payments at beginning of month, so money is in bank when payroll and tax payments come due on the 15th...)

Other sources of funds: federal, state, local, employer, foundation.

UTILIZATION RATE: Concept of not expecting to collect maximum potential amount of fees...Unfilled slots, sibling discount policies, etc. Budget for 80-95% utilization, based on past history.

RULE OF THUMB IN BUDGETING:

UNDERESTIMATE INCOME; OVERESTIMATE EXPENSES

Typical Expenses for XYZ Child Care Center

Serving Ages 6 weeks to 5 years

F.T.E.	EXPENSES	TOTAL
		34
		100%
1	Director	35,000
0.5	Admin Asst	11,000
1	Infant Lead Teacher	23,000
1	Infant A.M. Teacher	20,000
1	Infant P.M. Teacher	20,000
0.5	Infant Assistant	6,240
1	Toddler Lead Teacher	23,000
1	Toddler A.M. Teacher	20,000
1	Toddler P.M. Teacher	20,000
0.5	Toddler Assistant	6,240
1	Preschool Lead Teacher	23,000
1	Preschool A.M. Teacher	20,000
1	Preschool P.M. Teacher	20,000
0.5	Preschool Assistant	6,240
	TOTAL STAFF	253,720
	Fringe @ 23% (FICA, Unemp, Health)	58,356
	Substitutes (9 Head Tchrs & Tchrs--20 days/yr, rate \$50/day)	9,000
	TOTAL PERSONNEL	321,076
	NON-PERSONNEL	
	Rent (1,500 sq ft @ \$15)	22,500
	Utilities	6,000
	Maintenance/Repair	5,000
	Food	9,600
	Kitchen Supplies	600
	Educ. Supplies	2,000
	Educ. Equipment	1,500
	Consultants/Training	600
	Office Supplies	400
	Audit	1,500
	Insurance	3,800
	Telephone	1,200
	Printing/Postage	200
	Advertising	300
	Fees/Permits	200
	Miscellaneous	1,000
	Depreciation	10,000
	TOTAL NON-PERSONNEL	66,400
	TOTAL EXPENSES	387,476

Based on center operating year-round, open 10 hours/day.

Lead Teachers and Teachers in classrooms 6 hour shifts; assistants 3 hour shifts.

Fees: Infants: \$300/wk (\$15,600/yr); Toddlers: \$240/wk (\$12,480/yr); Preschool: \$170/wk (\$8,840/yr)

PROGRAM BUDGET		34	2:07	2:09	2:18
		TOTAL	INFANT	TODDLER	PRESCHOOL
F.T.E.	EXPENSES	100%	21%	26%	53%
1	Director	35,000	7,350	9,100	18,550
0.5	Admin Asst	11,000	2,310	2,860	5,830
1	Infant Lead Teacher	23,000	23,000		
1	Infant A.M. Teacher	20,000	20,000		
1	Infant P.M. Teacher	20,000	20,000		
0.5	Infant Assistant	6,240	6,240		
1	Toddler Lead Teacher	23,000		23,000	
1	Toddler A.M. Teacher	20,000		20,000	
1	Toddler P.M. Teacher	20,000		20,000	
0.5	Toddler Assistant	6,240		6,240	
1	Preschool Lead Teacher	23,000			23,000
1	Preschool A.M. Teacher	20,000			20,000
1	Preschool P.M. Teacher	20,000			20,000
0.5	Preschool Assistant	6,240			6,240
	TOTAL STAFF	253,720	78,900	81,200	93,620
	Fringe @ 23% (FICA, Unemp, Health)	58,356	18,147	18,676	21,533
	Substitutes (9 Head Tchrs & Tchrs--20 days/yr, rate \$50/day)	9,000	3,000	3,000	3,000
	TOTAL PERSONNEL	321,076	100,047	102,876	118,153
	NON-PERSONNEL				
	Rent (1,500 sq ft @ \$15)	22,500	4,725	5,850	11,925
	Utilities	6,000	1,260	1,560	3,180
	Maintenance/Repair	5,000	1,050	1,300	2,650
	Food	9,600	2,016	2,496	5,088
	Kitchen Supplies	600	126	156	318
	Educ. Supplies	2,000	420	520	1,060
	Educ. Equipment	1,500	315	390	795
	Consultants/Training	600	126	156	318
	Office Supplies	400	84	104	212
	Audit	1,500	315	390	795
	Insurance	3,800	798	988	2,014
	Telephone	1,200	252	312	636
	Printing/Postage	200	42	52	106
	Advertising	300	63	78	159
	Fees/Permits	200	42	52	106
	Miscellaneous	1,000	210	260	530
	Depreciation	10,000	2,100	2,600	5,300
	TOTAL NON-PERSONNEL	66,400	13,944	14,664	35,192
	TOTAL EXPENSES	387,476	113,991	117,540	153,345
	COST PER CHILD / YR		29%	30%	40%
			16,284	13,060	8,519
	INCOME				
	PARENT FEES/SUBSIDIES	380,640	109,200	112,320	159,120
	LESS UNDERUTILIZATION (5%)	(19,032)	(5,460)	(5,616)	(7,956)
	EXPECTED FEE/SUBSIDY INCOME	361,608	103,740	106,704	151,164
	PLUS FUNDRAISING ACTIVITIES	25,868	5,432	6,726	13,710
	TOTAL INCOME/REVENUE	387,476	109,172	113,430	164,874

Functional Budget: XYZ Child Care

Care and Teaching	Admin-istration	Nutrition	Health	Transp-or-tation	Occupan-cy	Training	Parent Services
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	TOTAL	Care and Teaching	Admin-istration	Nutrition	Health	Transp-or-tation	Occupan-cy	Training	Parent Services
Director	35,000		28,000		1,750			3,500	1,750
Admin Asst	11,000		11,000						
Infant Lead Teacher	23,000	23,000							
Infant A.M. Teacher	20,000	20,000							
Infant P.M. Teacher	20,000	20,000							
Infant Assistant	6,240	6,240							
Toddler Lead Teacher	23,000	23,000							
Toddler A.M. Teacher	20,000	20,000							
Toddler P.M. Teacher	20,000	20,000							
Toddler Assistant	6,240	6,240							
Preschool Lead Teacher	23,000	23,000							
Preschool A.M. Teacher	20,000	20,000							
Preschool P.M. Teacher	20,000	20,000							
Preschool Assistant	6,240	6,240							
TOTAL STAFF	253,720	207,720	39,000	0	1,750	0	0	3,500	1,750
Fringe @ 23%	58,356	47,776	8,970	0	403	0	0	805	403
Substitutes	9,000	9,000							
TOTAL PERSONNEL	321,076								

NON-PERSONNEL

Rent (1,500 sq ft @ \$15)	22,500						22,500		
Utilities	6,000						6,000		
Maintenance/Repair	5,000						5,000		
Food	9,600			9,600					
Kitchen Supplies	600			600					
Educ. Supplies	2,000	2,000							
Educ. Equipment	1,500	1,500							
Consultants/Training	600							400	200
Office Supplies	400		400						
Audit	1,500		1,500						
Insurance	3,800		3,800						
Telephone	1,200		1,200						
Printing/Postage	200		200						
Advertising	300		300						
Fees/Permits	200		200						
Miscellaneous	1,000		1,000						
Depreciation	10,000		2,500	2,500			5,000		
TOTAL NON-PERSONNEL	66,400								

TOTAL EXPENSES	387,476	267,996	59,070	12,700	2,153	0	38,500	4,705	2,353
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% of total		69.2%	15.2%	3.3%	0.6%	0.0%	9.9%	1.2%	0.6%
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Cash Flow

EXPENSES	CURRENT ANNUAL BUDGET	MONTHLY BUDGET (/12)	CURRENT MONTH: JULY	JULY NOTES	AUGUST	AUGUST NOTES
TOTAL STAFF	253,720	21,143	21,143		22,103	new staff started,
Fringe @ 23% (FICA, Unemply, health)	58,356	4,863	4,863		5,084	still paying vacation for departed staff
Substitutes (9 Head Tchrs & Tchrs--20 days/yr, rate \$50/day)	9,000	750	0	didn't need	425	
TOTAL PERSONNEL	321,076	26,756	26,006		27,612	
NON-PERSONNEL						
Rent (1,500 sq ft @ \$15)	22,500	1,875	1,875		1,875	
Utilities	6,000	500	600	a/c-June	650	a/c-July
Maintenance/Repair	5,000	417	0		0	
Food	9,600	800	750		800	
Kitchen Supplies	600	50	0		80	
Educ. Supplies	2,000	167	0		250	for fall
Educ. Equipment	1,500	125	0		150	for fall
Consultants/Training	600	50	0		200	trng for new staff
Office Supplies	400	33	0		70	
Audit	1,500	125	0		0	
Insurance	3,800	317	0		0	
Telephone	1,200	100	95		110	
Printing/Postage	200	17	15		21	
Advertising	300	25	75	staff ads	0	
Fees/Permits	200	17	0		50	health permit
Miscellaneous	1,000	83	0		0	
Depreciation	10,000	833				
TOTAL NON-PERSONNEL	66,400	5,533	3,410		4,256	
TOTAL EXPENSES	387,476	32,290	29,416		31,868	
INCOME						
PARENT FEES/SUBSIDIES	361,608	30,134	28,750	enrollment down by 4	31,000	includes deposits for Sept.
FUNDRAISING	25,608	2,134	0		0	
TOTAL INCOME/REVENUE	387,216	32,268	28,750		31,000	
MONTHLY CASH BALANCE			-666		-868	
CASH ON HAND (bank balance)			3,507		2,841	
CUMULATIVE CASH BALANCE			2,841		1,973	

Writing The Plan

What goes in a business plan? The body can be divided into four distinct sections:

- 1) Description of the business
- 2) Marketing
- 3) Finances
- 4) Management

Agenda should include an executive summary, supporting documents, and financial projections. Although there is no single formula for developing a business plan, some elements are common to all business plans. They are summarized in the following outline:

Elements of a Business Plan

1. Cover sheet

2. Statement of purpose

3. Table of contents

I. The Business

- A. Description of business
- B. Marketing
- C. Competition
- D. Operating procedures
- E. Personnel
- F. Business insurance

II. Financial Data

- A. Loan applications
- B. Capital equipment and supply list
- C. Balance sheet
- D. Breakeven analysis
- E. Pro-forma income projections (profit & loss statements)
- F. Three-year summary
- G. Detail by month, first year
- H. Detail by quarters, second and third years
- I. Assumptions upon which projections were based
- J. Pro-forma cash flow

III. Supporting Documents

- A. Tax returns of principals for last three years Personal financial statement (all banks have these forms)
- B. For franchised businesses, a copy of franchise contract and all supporting documents provided by the franchisor
- C. Copy of proposed lease or purchase agreement for building space
- D. Copy of licenses and other legal documents
- E. Copy of resumes of all principals
- F. Copies of letters of intent from suppliers, etc.

From The Human Side of Child Care Administration: A How-To Manual
By Sherry Storm Eiselen, NAEYC, 1992 (out of print).

Here are some important points to consider to guard against improper or dishonest accounting:

1. Request payment by check or money order.
2. Immediately stamp checks and money orders with the center's personalized "for deposit only" stamp.
3. Use prenumbered receipts when cash must be accepted.
4. Be sure bank deposit slips list all check numbers and receipt numbers.
5. Deposit receipts daily. If they must be kept at the center, keep them in a locked safe or cash box.
6. Do not permit the bookkeeper to handle cash receipts or prepare deposits.
7. Do not permit the bookkeeper to sign checks.
8. Make all disbursements by check to ensure documentation.
9. Be certain that all persons regularly handling cash and signing checks are bonded for a minimum of 10% of the audit-period receipts.
10. Have a Certified Public Accountant conduct an independent audit of your financial records at least every 2 years.

Resources- Child Care Information Exchange Articles

Budget

Is Your Center in Good Financial Health? Mary Brower & Theresa Sull 11/01

Five Fundamentals of Financial Health, Mary Brower & Theresa Sull 1/03

Minding your Business: How to Avoid the Seven Deadly Financial Pitfalls, Keith Stephens 8/90

Budgeting for Quality and Survival in the 21st Century, R. Ann Whitehead 9/03

Surviving Tough Times, Roger Neugebauer 1/02

Marketing When Your Creativity is High and Your Budget is Low, Silvana Clark 7/95

Making Your Purchasing Dollars Count, Roger Neugebauer 9/02

Business Plans

#1 favorite website- SBA- <http://www.sba.gov/smallbusinessplanner/index.html>