



BUDGETS AND PROFIT & LOSS STATEMENTS

Presented By:

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Purpose

- Help manage a quality program
- Use projections based on actual enrollment
- Protect your company's resources
- Be able to afford the things you want



Things to remember..

- There is not a particular mold to choose from
- All budgets and projections are different
- Budgets are based on estimates
- Profit & loss statements are based on facts

3-Part Budget Process

- Part One – INCOME and REVENUE
- Part Two – SALARIES and PAYROLL
- Part Three - EXPENSES



Creating a Sample Budget

- Use the sample budget sheet provided
- Use the dollar amounts given in this training

Tuition

- Tuition is defined as COST FOR CARE
- This is the amount you charge for the care of the child
- This is BEFORE any discounts or adjustments
- First, determine the amount of your weekly tuition
- Second, determine the number of children enrolled (or projected enrollment)

Tuition – example

multiply the number of children times the weekly tuition

<u>Age Group</u>	<u>Number Children</u>	<u>Tuition</u>
<i>Infants</i>	<i>8</i>	<i>\$200</i>
<i>Young Toddlers</i>	<i>5</i>	<i>\$175</i>
<i>Older Toddlers</i>	<i>4</i>	<i>\$175</i>
<i>Twos</i>	<i>11</i>	<i>\$160</i>
<i>Threes</i>	<i>21</i>	<i>\$150</i>
<i>Fours</i>	<i>22</i>	<i>\$150</i>
<i>B/A School</i>	<i>35</i>	<i>\$70</i>

Tuition

<u>Age Group</u>	<u>Weekly</u>	<u>Monthly</u>
<i>Infants</i>	<i>\$1,575</i>	<i>\$6,300</i>
<i>Young Toddlers</i>	<i>\$875</i>	<i>\$3,500</i>
<i>Older Toddlers</i>	<i>\$700</i>	<i>\$2,800</i>
<i>Twos</i>	<i>\$1,760</i>	<i>\$7,040</i>
<i>Threes</i>	<i>\$3,150</i>	<i>\$12,600</i>
<i>Fours</i>	<i>\$3,300</i>	<i>\$13,200</i>
<i>B/A School</i>	<i>\$2,450</i>	<i>\$9,800</i>
<hr/> <i>TOTAL</i>	<hr/> <i>\$13,835</i>	<hr/> <i>\$55,340</i>

Sample Budget - \$55,340

Other Tuition

- In-Service Fees – days school age children are not in school and full day care is provided
- Drop In Care – children you are caring for that are not expected on a day-to-day basis
- Extended Day Care – for part-time programs that operate after hours to provide additional care

SAMPLE BUDGET - \$0

Registration Fees

- Cost to enroll the child or family in your program; Covers administrative costs
- Can be a one-time charge or annually
- ALWAYS say that “registration fees are non-refundable”

BUDGET ACTIVITY – follow a two child rule.

Assume you will gain 2 children a month

BUDGET ACTIVITY \$200

Other Fees (penalties)

- NSF Charges – cost for a returned check
- Late Pick Up Penalty – not picking up a child by closing time
- Late Payment Penalty – not paying tuition on time
- No Call Penalty – not calling if a child is not riding a bus
- No Sign In Penalty – failing to sign a child in or out

BUDGET ACTIVITY - \$0

Deactive with Balance

- Money that people OWE you that have left
- Money that you are writing off
- You have already charged it, so you have to reverse it to get an accurate report
- Most people leave you owing two weeks
- Follow the same two child rule

BUDGET ACTIVITY -\$600

Agency Discounts

- Difference between what you charge and what Child Care Services or subsidy pays you.
- Most areas will not allow you to charge the parents this amount.
- You want to report this difference to track how much you are losing.
- In the real world, you can get an actual number here

BUDGET ACTIVITY -\$500

Family Discounts

- Discount you can give a family for having multiple children in the household
- In the real world, you can figure an actual number here

BUDGET ACTIVITY -\$300

Staff Discounts

- Discounted savings on tuition for your employees
- Actually considered a benefit, however since it does affect TUITION, you want to record this here
- CAUTION! You want to be fair and consistent with your employees to avoid possible legal issues
- You may want to consider putting a limit on this discount

BUDGET ACTIVITY -\$1,200

Promotion Discounts

- Can be used at the director's discretion
- Mostly commonly used to waive registration or give a free week of tuition to a new family
- Best use is for parent referrals
- Needs to be used for items related to REVENUE; otherwise it is a MISC Expense item

BUDGET ACTIVITY -\$500

Vacation Discounts

- Credit that you are giving currently enrolled families when they are not in your program for vacation or illness
- There are several variations to this discount
- This is an OPTIONAL line item for your program
- Suggested that you do this on a weekly basis and not broken into days

BUDGET ACTIVITY - \$1,050

Activity Income

- Money you are collecting for special events in your program, such as:
 - Field trips
 - Visitors
 - Promotional items
 - T-Shirts

BUDGET ACTIVITY \$300

Revenue Overview

■ Tuition	\$55,340
■ Other Tuition	\$0
■ Registration Fees	\$200
■ Other Fees	\$0
■ Deactive with Balance	-\$600
■ Agency Discounts	-\$500
■ Family Discounts	-\$300
■ Staff Discounts	-\$1,200
■ Promotional Discounts	-\$500
■ Vacation Discounts	-\$1,050
■ Activity Income	\$300

Net Revenue

- Actual amount of money you can now spend!

BUDGET ACTIVITY \$51,690

Step Two – Salaries and Payroll

- Salaries – your SALARIED EXEMPT and SALARIED NON-EXEMPT employees. See the DVD on Personnel Policies for clarification on employee classifications
- Hourly Wages – employees paid by the hour
- Benefits – other incentives offered to a employee
- Payroll Taxes – Required by law!

Salaries

- Salaried Exempt Employees – these are individuals who meet FLSA guidelines and are paid a set amount regardless of the number of hours worked. They are exempt from overtime wages.
- Visit www.childproviderlaw.com for more information on FLSA and your child care center
- Visit www.dol.gov for wage and hour questions.
- Normally, the only person in a child care setting who meets FLSA rules is the director.
- Average director salary in Texas is currently \$35,000 a year

BUDGET ACTIVITY \$2,916

Hourly Wages

- All employees paid by the hour
- Use the Salary Template to calculate actual number of hours needed
- Formula for figuring hours:

of children times hours of day times number of days divided by ratio equal number of hours needed to operate the classroom

Hours Template

<u>Group</u>	<u>Enrollment</u>	<u>Hours</u>	<u>Days</u>	<u>Ratio</u>	<u>Weekly</u>	<u>Allowed Hours</u>
Infants	8	10	5	4	100	
Young Toddlers	5	10	5	5	50	
Old Toddlers	4	10	5	9	22	
Twos	11	10	5	11	50	
Threes	21	10	5	15	70	
Fours	22	10	5	18	61	
S/A	35	5	5	26	34	

Non-Classroom Hours

Front Office

- Office Manager/ Assistant Director
- Normally 40 hours a week, only one person depending on the size of your program
- Take into consideration coverage in a classroom if scheduled

BUDGET ACTIVITY – 40 hours



Cook

- Normally a 40 hour a week job for programs over 100 children
- Allow time for food program if applicable
- May also be used for classrooms, van drivers, etc.



BUDGET ACTIVITY – 40 hours



Training

- State mandated training hours must be paid, therefore you need to budget for this.
- Include any time for new employees or on the job training



BUDGET ACTIVITY – 4 hours

Conference and Planning

- Again, because FLSA require all hours worked to be paid, teachers must be compensated for time planning lessons and conferencing with parents.
- You may only want to budget lead teachers time for planning.

BUDGET ACTIVITY – 9 hours

In-Service

- Days that school age children are in the program longer than normal.
- Must staff for these days
- Keep this line consistent with the other tuition listed under revenue

BUDGET ACTIVITY – 0 hours

Bus Drivers

- Time spent transporting children to and from public schools.
- State ratios must be maintained at all times
- BEST PRACTICE is to have two adults on every vehicle to ensure safe driving and proper supervision of children.

BUDGET ACTIVITY – 10 hours



Other

- Any other non-classroom hours your program may need to add



BUDGET ACTIVITY - 0

Recap Hourly Wages

<u>Group</u>	<u>Enrollment</u>	<u>Hours</u>	<u>Days</u>	<u>Ratio</u>	<u>Weekly Allowed Hours</u>
Infants	8	10	5	4	100
Young Toddlers	5	10	5	5	50
Old Toddlers	4	10	5	9	22
Twos	11	10	5	11	50
Threes	21	10	5	15	70
Fours	22	10	5	18	61
S/A	35	5	5	26	34
Asst. Director/Office Manager					40
Cook					40
Training					4
Conference/Planning					9
In-Service					0
Bus Driver					10
Other					0
Total					490

Recap Hourly Wages

- Texas Workforce Solutions reports the average hourly wage in child care is currently \$9.50
- \$9.50 times 490 hours = \$4,655 a week
- \$4,655 a week times 4 weeks = \$18,620

BUDGET ACTIVITY - \$18,620 for hourly wages

Benefits

- Benefits are extra optional incentives you give your employees who work for you
- Some common benefits are:
 - > Paid time off
 - > Paid Holidays
 - > Medical plans
 - > Dental plans
 - > 401k
 - > Tuition reimbursements
 - > *child care discounts
 - > Paid training

BUDGET ACTIVITY - \$3,000

Payroll Taxes

- Employers are responsible for payroll taxes
- Consult your accountant or payroll firm for more accurate numbers
- Best way to budget this is off your NET REVENUE
- Budget 4.29%

BUDGET ACTIVITY - \$2,218

Payroll Summary

Salaries	\$2,916
Hourly Wages	\$18,620
Benefits	\$3,000
Payroll Taxes	\$2,218
Total	\$26,754

Our payroll in this activity is 51.75%
Industry average is 50%-52%



Operating Expenses

- Think outside the box with all expenses in a program
- Categorize these the best you can
- Record all expenses, even the small ones

Food and Milk

- Cost of providing snacks and lunches to the children you serve
- Programs that are on the USDA food program may have higher food and milk costs
- Consider the difference between having a morning snack and breakfast
- Benefit of being on the USDA food program
- Averages 3.5% of your Net Revenue

BUDGET ACTIVITY - \$1,809

Supplies

- Classroom Supplies
- Office Supplies
- Paper Supplies
- Averages 2.5% of Net Revenue
- Be creative with supply cost management

BUDGET ACTIVITY – \$1,292



Utilities

- Electric
- Water
- Gas
- Phone
- Internet
- Garbage/sewer
- Averages 6% of Net Revenue

BUDGET ACTIVITY – \$3,101

Contracted Maintenance

Any maintenance item that is ON GOING or scheduled

- Cleaning – averages \$1,325
- Lawn – averages \$250 a month
- Pest Control – averages \$45 a month

BUDGET ACTIVITY - \$1,620

Non-Contracted Maintenance

- Any non-scheduled maintenance
- Examples:
 - Plumber
 - Electrician
 - Handyman
 - Other repair work

BUDGET ACTIVITY - \$600

Keep in mind, some months may not have any maintenance, while others may have more than expected.

Vehicle Maintenance

- Repairs and maintenance to buses and vans that you use to transport children, if applicable
- Would include oil changes, tire rotations, etc
- Consider leasing vehicles to cut down on maintenance costs

BUDGET ACTIVITY - \$200 (\$100 per vehicle)

Fuel

- Cost of putting gas in your buses and vans used to transport children.

BUDGET ACTIVITY - \$300

(\$150 per vehicle, assuming each fill up is \$75, and you fill up every other week)

Misc. Items

- Any item that does not fall into a category
- Some call this “petty cash”
- Items such as:
 - Replacement cost for lost or damaged items
 - Teacher support (like a special coffee for doing a good job, or a pizza party on Friday for the staff)

BUDGET ACTIVITY - \$200

Activity Expenses

- Money you are spending for special events in your program, such as:
 - Field trips
 - Visitors
 - Promotional items
 - T-Shirts

BUDGET ACTIVITY - \$300

Auto Insurance

- Liability insurance on your vehicles
- Average cost is \$175 a month per vehicle
- Budget monthly even if you pay this bi-annually

BUDGET ACTIVITY - \$350

Property/Liability Insurance

- Required liability insurance for licensed child care programs
- May include contents as well as liability
- Averages .5% of your Net Revenue

BUDGET ACTIVITY - \$260

License and Permits

- Could include:
 - Child care licensing annual fee
 - Certificate of occupancy fees
 - Health permits
 - Sanitation permits
 - Alarm permits
 - Advertising and marketing permits

Averages .1% of net revenue

BUDGET ACTIVITY - \$51

Property Taxes

- Required taxes paid for your property
- Could be included in a lease, *if applicable*
- Averages 5% of your net revenue

BUDGET ACTIVITY - \$2,584

Building Rent/Lease/Loans

- Cost for land and building
- Average cost for the size of program used in this example is \$15,000. This includes lease of building and land as well as small business loan.

BUDGET ACTIVITY - \$15,000

Equipment Lease

- Cost for leasing small business essentials, such as:
 - Copy machines
 - Computers
 - Credit card terminals
 - Video games

Strongly recommend owning equipment rather than leasing it

BUDGET ACTIVITY - \$0

Operating Expenses Overview

▪ Food and Milk	\$1,809
▪ Supplies	\$1,292
▪ Utilities	\$3,101
▪ Contracted Maintenance	\$1,620
▪ Non-contracted Maintenance	\$600
▪ Vehicle Maintenance	\$200
▪ Fuel	\$300
▪ Misc	\$200
▪ Activity Expense	\$300
▪ Auto Insurance	\$350
▪ Property/Liability Insurance	\$260
▪ License and Permits	\$51
▪ Property Taxes	\$2,584
▪ Building Rent	\$15,000
▪ Equipment Lease	\$0
TOTAL	27,667

Budget Overview

Revenue/Income \$51,690

Payroll -\$26,754

Operating Expenses -\$27,667

NET INCOME -\$2,731

Possible Ways to Break Even

Reconsider the following line items...

- Non-contracted maintenance?
- Possibly renegotiating lease?
- Possible reduction in benefits?
- Adding enrollment to increase revenue?

Average tuition is \$150 a week or \$600 a month. Would only take 5 children to get us to a positive bottom line...



Profit & Loss Statements

- Take a look at the sample provided to you
- Your profit & loss statement is similar to the budget, but with actual numbers
- Can be done weekly then closed each month



Income

- Enter the amount of tuition you charged this week
- Enter any other tuition charged for the week
- Enter any credits given for the week
- Net Revenue should calculate for you
- Enter payments made by parents, child care services, or food program
- Enter any outstanding balances from parents

Payroll

- Enter the hourly wages spent this week
- Calculate and salaries you have for the week
- Remember, your goal is to keep this below 52% if possible



Expenses

- In the “worksheet” tab at the bottom, you can enter in receipts or expenses throughout the week, or you can enter them at the end of the week if you choose.
- The fields on the P & L will automatically populate



Fixed Expenses

- You can enter these in the worksheet tab as well
- Normally includes
 - Rent/lease
 - Loan
 - Insurance



Net Income

- This will automatically calculate for you to show in profit or loss you have in your program



In Conclusion

Thank you for taking this course!