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

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Number Children</th>
<th>Tuition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infants</td>
<td>8</td>
<td>$200</td>
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<tr>
<td>Young Toddlers</td>
<td>5</td>
<td>$175</td>
</tr>
<tr>
<td>Older Toddlers</td>
<td>4</td>
<td>$175</td>
</tr>
<tr>
<td>Twos</td>
<td>11</td>
<td>$160</td>
</tr>
<tr>
<td>Threes</td>
<td>21</td>
<td>$150</td>
</tr>
<tr>
<td>Fours</td>
<td>22</td>
<td>$150</td>
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<tr>
<td>B/A School</td>
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<td>$70</td>
</tr>
<tr>
<td>Age Group</td>
<td>Weekly</td>
<td>Monthly</td>
</tr>
<tr>
<td>-------------------</td>
<td>--------</td>
<td>---------</td>
</tr>
<tr>
<td>Infants</td>
<td>$1,575</td>
<td>$6,300</td>
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<tr>
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<td>$875</td>
<td>$3,500</td>
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<tr>
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<td>$700</td>
<td>$2,800</td>
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<tr>
<td>Twos</td>
<td>$1,760</td>
<td>$7,040</td>
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<td>Fours</td>
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<td>$13,200</td>
</tr>
<tr>
<td>B/A School</td>
<td>$2,450</td>
<td>$9,800</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$13,835</strong></td>
<td><strong>$55,340</strong></td>
</tr>
</tbody>
</table>

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 REVENU; 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](http://www.childproviderlaw.com) for more information on FLSA and your child care center.
- Visit [www.dol.gov](http://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:
  
  \[
  \text{# of children times hours of day times number of days divided by ratio equal number of hours needed to operate the classroom}
  \]
# Hours Template

<table>
<thead>
<tr>
<th>Group</th>
<th>Enrollment</th>
<th>Hours</th>
<th>Days</th>
<th>Ratio</th>
<th>Weekly Allowed Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infants</td>
<td>8</td>
<td>10</td>
<td>5</td>
<td>4</td>
<td>100</td>
</tr>
<tr>
<td>Young Toddlers</td>
<td>5</td>
<td>10</td>
<td>5</td>
<td>5</td>
<td>50</td>
</tr>
<tr>
<td>Old Toddlers</td>
<td>4</td>
<td>10</td>
<td>5</td>
<td>9</td>
<td>22</td>
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<tr>
<td>Twos</td>
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<td>11</td>
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</tr>
<tr>
<td>Threes</td>
<td>21</td>
<td>10</td>
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<td>15</td>
<td>70</td>
</tr>
<tr>
<td>Fours</td>
<td>22</td>
<td>10</td>
<td>5</td>
<td>18</td>
<td>61</td>
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<tr>
<td>S/A</td>
<td>35</td>
<td>5</td>
<td>5</td>
<td>26</td>
<td>34</td>
</tr>
</tbody>
</table>
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 - o
# Recap Hourly Wages

<table>
<thead>
<tr>
<th>Group</th>
<th>Enrollment</th>
<th>Hours</th>
<th>Days</th>
<th>Ratio</th>
<th>Weekly Allowed Hours</th>
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</thead>
<tbody>
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<td>Infants</td>
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<td>10</td>
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<tr>
<td>Young Toddlers</td>
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<tr>
<td>Old Toddlers</td>
<td>4</td>
<td>10</td>
<td>5</td>
<td>9</td>
<td>22</td>
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<tr>
<td>Twos</td>
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<td>Fours</td>
<td>22</td>
<td>10</td>
<td>5</td>
<td>18</td>
<td>61</td>
</tr>
<tr>
<td>S/A</td>
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<td>5</td>
<td>26</td>
<td>34</td>
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<td>Asst. Director/Office Manager</td>
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<td></td>
<td>40</td>
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<tr>
<td>Cook</td>
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<td>40</td>
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<tr>
<td>Training</td>
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<td>4</td>
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<tr>
<td>Conference/Planning</td>
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<td>9</td>
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<td>In-Service</td>
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<tr>
<td>Total</td>
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<td></td>
<td></td>
<td>490</td>
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</table>
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

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>$2,916</td>
</tr>
<tr>
<td>Hourly Wages</td>
<td>$18,620</td>
</tr>
<tr>
<td>Benefits</td>
<td>$3,000</td>
</tr>
<tr>
<td>Payroll Taxes</td>
<td>$2,218</td>
</tr>
</tbody>
</table>

**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 0.1% 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
<table>
<thead>
<tr>
<th>Operating Expenses Overview</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Food and Milk</td>
<td>$1,809</td>
</tr>
<tr>
<td>▪ Supplies</td>
<td>$1,292</td>
</tr>
<tr>
<td>▪ Utilities</td>
<td>$3,101</td>
</tr>
<tr>
<td>▪ Contracted Maintenance</td>
<td>$1,620</td>
</tr>
<tr>
<td>▪ Non-contracted Maintenance</td>
<td>$600</td>
</tr>
<tr>
<td>▪ Vehicle Maintenance</td>
<td>$200</td>
</tr>
<tr>
<td>▪ Fuel</td>
<td>$300</td>
</tr>
<tr>
<td>▪ Misc</td>
<td>$200</td>
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<tr>
<td>▪ Activity Expense</td>
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<tr>
<td>▪ Auto Insurance</td>
<td>$350</td>
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<tr>
<td>▪ Property/Liability Insurance</td>
<td>$260</td>
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<tr>
<td>▪ License and Permits</td>
<td>$51</td>
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<tr>
<td>▪ Property Taxes</td>
<td>$2,584</td>
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<tr>
<td>▪ Building Rent</td>
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<tr>
<td>▪ Equipment Lease</td>
<td>$0</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>27,667</strong></td>
</tr>
</tbody>
</table>
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!