**Financial Statements and the Business Plan**

**What is a business plan?**

A business plan is a concisely written summary of a childcare business, including a proposed facility development project. It contains key financial statements, market information, and management profiles.

Gaining a clear understanding of the financial side of a childcare business will strengthen it

significantly, and will help to:

* Manage and plan the business better
* Assess the readiness of the business to take on financing of a development project
* Determine what size development project the business can take on
* Communicate with funders
* Satisfy funders’ concerns that there is a clear understanding of the business’ financial position and that a sound system of financial management is in place

**Why do you need a day-care business plan Financial model?**

* Day care Business Plan demonstrates you how much money can make a day-care centre.
* Child Care business plan give you the information whether or not the overall day-care start-up idea is profitable.
* Child Care Business Plan is useful to consider different scenarios to choose the most cost-efficient and quality-friendly one.

**Section One: Budgeting**

**What is a budget?**

* A budget is a child care business’ plan of action, expressed in dollars. A budget estimates the
* expected income and expenses of a business for a specified period of time.
* Budgeting offers several benefits:
* It requires planning ahead;
* It promotes a greater awareness of the business’ overall operations;
* It creates an early warning system and helps to control expenses, and
* It is a useful guide for decision-making.

**Developing a budget**

Developing a budget requires estimating both the income a business will receive and the expenses it will pay out. The estimates used in a budget should be based upon a conservative set of clearly defined assumptions about the business. Because these assumptions will help determine the financial projections, they should be verifiable and based on past performance of the business. New programs should base assumptions on carefully conducted market research of similar family child care businesses. Some assumptions to consider include:

 • The vacancy rate for the business;

• The number of children being served;

• The fees being charged, and

 • The number of days and hours the business is open. Developing a good budget requires considerable time and planning. It is a good idea to create a budgeting calendar to help keep track of the entire process as it unfolds, as well as the tasks involved.

**Basic Financial Statements**

There are different kinds of financial statements that a business needs to manage and record its financial position and to monitor any major changes in that position. Financial records in the form of these statements are also essential for any childcare business owner that wants to apply for funding to expand or improve the program in the future. The three types of financial statements covered in this section are:

1. The Income Statement

2. The Balance Sheet

3. The Cash Flow Statement

**What is an income statement?**

The income statement identifies the sources and uses of funds for a business. It is very useful because it shows what is actually earned and what it cost to earn that amount. The income statement can be prepared for the year that just ended as well as at intervals during the current year. This statement will be required by most lending institutions.

**What is a balance sheet?**

The balance sheet is typically prepared at the end of an accounting period and shows the financial position of the business as of a fixed date. It is like a snapshot of a child care business at one particular moment in time. The balance sheet often includes a comparison between the current and previous years.

**What is a cash flow statement?**

A cash flow statement helps track the cash in and out of a business. Cash flow management is the greatest challenge that small businesses face. Cash flow is the difference between (a) the amount of actual cash coming in to a business from support and revenues and (b) the amount of actual cash going out of a business in the form of expenses, such as salaries, rent, office supplies, and other payments. Difficulties in cash flow management often result when income lags behind expenditures.

**Developing a Family Child Care Business Plan**

This term introduces the idea of a business plan and explains how to write one for a family childcare business. In particular, the explanations in this chapter focus on the process of developing a business plan to secure funding for a family childcare facility development project. However, the information is designed to be helpful for any childcare provider who wishes to think and operate more like a business or who wants to begin planning for business growth.

**What is in a business plan?**

There are many different ways to organize a business plan. Regardless of the structure or design chosen, every business plan should include the following sections:

• Cover Sheet;

• Executive Summary;

• Organizational Capacity;

• Description of the Proposed Project;

• Marketing Plan;

• Operations Plan;

• Financial Analysis, and

• Supporting Documents.

**General Tips for Developing a Business Plan**

1. Presentation matters.

Never underestimate the value of a professional-looking document. Bank and grant officers look at hundreds of business plans and appreciate a plan that is easy to read and wellpresented. Creating a professional looking business plan shows that a child care provider is serious about the business. To make the document easy to read:

 • Use headers;

• Leave plenty of white space on each page, and

• Include a table of contents.

2. Be concise. A short, well-written plan is better than a long, drawn out one. On average, business plans for family child care programs should be between 10-15 pages.

3. Update the business plan regularly. Because a business plan relies heavily on time-sensitive financial material, it should be a continually evolving document. An outdated business plan could reduce the credibility of a loan or grant application.

4. Present a balanced view. In addition to highlighting the strengths of the child care business, a business plan demonstrates an understanding of the challenges the business faces. After a challenge is been identified, be sure to discuss a plan to overcome it.

5. Seek professional assistance. While this chapter provides a good understanding of how to approach the business planning process for a family child care program, there is nothing more valuable in that process than receiving assistance from an expert in the field.

**Cover Sheet**

The cover sheet is the first part of a business plan that a funder sees. It is important that it appears neat and professional, and contain relevant information that is easily visible. A cover sheet should include the following:

! Name of the child care business;

! Address;

! Phone number;

 ! Logo (if applicable);

 ! Names, titles, addresses, and phone numbers of key contacts;

! Month and year in which plan was developed and/or revised, and

 ! Name of plan preparer/writer.

The business name, address, and phone number should appear in the top third of the page. Information regarding the contact name should appear in the center of the page. The date the document was completed and the name of the preparer should appear towards the bottom of the page.

**Executive Summary**

The executive summary is a brief one- or two-page synopsis of the business plan. Although the Executive Summary appears at the front of the business plan, it should be written last. This ensures that all the necessary information has been compiled and reviewed. The executive summary should include the following information:

 ! Names, titles, addresses, and phone numbers of key contacts;

! Description of the child care business including: how many children are served, the organizational and legal structure (i.e. for-profit, nonprofit, family child care), and how long the business has operated with a child care license;

 ! Address;

 ! Description of the proposed project and its goals;

! Skills and experience of director and any staff, and

 ! (If applying for funding) Why the loan is needed, the amount of money being requested, and the amount and source of other funds that are being leveraged by the request for funding.

**Organizational Capacity**

The organizational capacity section presents a brief overview of the child care business, including its history, organization, and community connections. The information should convey the following points:

 ! The business has a proven track record of programmatic success;

! The business has demonstrated evidence of fiscal soundness and has met financial obligations in the past;

! The business has a clear, consistent philosophy on early childhood education;

! The business employs high quality staff with experience, managerial competence, accreditations, permits, and early childhood education credentials;

**Description of the Proposed Project**

This section should include the following three components: project goals, a description of the project, and a plan for managing the facility development process.

**A. Project goals**

When describing the facility development project, it is important to state clear goals that can be easily understood by funders. The following are examples of goals:

• To create a more age - and developmentally appropriate environment in which to serve young children.

 • To stabilize facilities expenses or avoid yearly rent increases.

 • To enable the business to remain in a particular community or retain child care services for low-income families.

 • To purchase outdoor play equipment essential to the success of the family child care program.

 • To expand the business’ capacity to serve a growing market or meet a growing demand for child care services.

**B: Description of the new or renovated facility**

The following points should be addressed in this description:

! Whether a new place is being purchased or leased, or an existing place is being renovated:

! The community or market area the business will serve

! The number of children to be served in the renovated or expanded home;

 ! The (new) hours of operation;

! The programs to be offered;

**C. Plan for managing the facility development process**

A detailed plan to manage the facility development process is essential; otherwise, important tasks may be overlooked, increasing the likelihood of project delays and cost overruns. Funders want to ensure that the process is well managed and organized. Therefore, this section should describe how the provider will manage each element of the facility development process, including:

 • Which specialists need to be hired, or have already been hired for the project in question (e.g. an architect, a contractor, a lawyer, etc);

 • How and when these specialists will be hired

**Marketing Plan**

Developing a marketing plan requires an investment in dollars, time, and effort. However, a good marketing plan can make the difference between success and failure. The marketing plan requires two essential steps before it can be implemented:

 A. Creating a unique message about the business, and

B. Devising an effective plan to promote the message

**Operations Plan**

This section of the business plan describes how the child care business is (or will be) run on a dayto-day basis. It includes answers to the following questions:

! How is the business managed? (Include any pertinent printed materials, such as

organizational charts and a schedule of staff meetings).

! What is the adult to child ratio?

! Who develops the curriculum?

! Who develops the policies and procedures for the program?

! How are staff hired and supervised?

! How is the billing done? What kinds of accounting procedures are used?

! What are the safety procedures for the facility? Include emergency evacuation and

disaster plans.

! What kind of insurance does the business have?

! Are volunteers used? How?

! Are parents involved in any of the business or program activities? How?

**Financial Analysis**

This section of a business plan describes how the funds being requested will be used. It also demonstrates that the proposed project is a good investment and shows that the business is financially sound and well managed.

**Supporting Documents**

Supporting documents are records that support the information in the business plan. They should

be arranged neatly at the end of the plan. It is be helpful to include a list of supporting documents

at the beginning of this section to help the reader locate specific documents. Supporting

documents may include:

• Consultant contracts;

• Funding contracts (current loan contracts, child care food program contracts);

• Legal documents (child care license, deed or lease to property. Note: When applying for

a loan to renovate a leased facility the term of the lease must exceed the term of the

loan);

• Location studies – from market feasibility study;

• A recently updated waiting list of parents who want to use the additional slots if the

program expands, and

• Letters of support from:

Resource and Referral agencies

Parents

Other community groups