

Montana Child Care Business Connect

How to Write a Budget?

Thursday, May 4, 2023

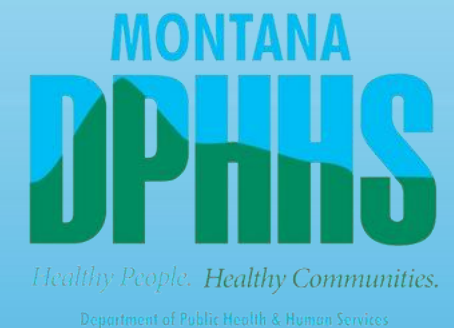
Part 3 of 7 in the Tiny Training Series – Phase II



Small Business Support. Big Community Impact.



ZEROTOFIVE
MONTANA



What is: The 'Tiny Training Series'

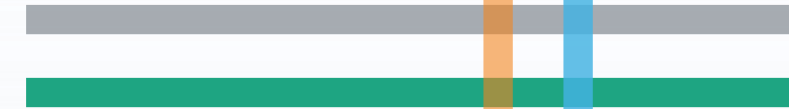
Statement of Purpose

- 30-minute webinars
- Every other Thursday at 1:30pm
- Attendance of four equals 2 hours of ECP credits
- Define basic business concepts
- Feature Business Connect Programs

2023 Training Summary

- ~~April 6:~~ ~~How do mentorships work?~~
- ~~April 20:~~ ~~How to utilize a business advisor?~~
- May 4: How to write a budget?
- May 18: How to price your services?
- June 1: How to manage your money?
- June 15: How to sustain without one-time funding?
- June 29: How to organize your community around childcare solutions?

What is: **CONNECT**



Launched in:

2022

Focusing on:

Supporting communities and entrepreneurs with business elements of starting, owning and operating childcare programs.

Critical Areas:

Training, Technical Assistance, Mentorship, Community Capacity Building, Web-Resource Hub

Staffed by:

Rhonda Schwenke, Jason Nitschke, Heide Borgonovo, Shelby Whelan, Alex DuBois, Jennifer Owen, Program Assistant

Jason Nitschke; MA, EDFP

Senior Child Care Business Advisor



"Helping entrepreneurs turn
visions into reality"

Education

- 2002 – M.A. Communications – Hawaii Pacific University
- 1997 – B.A. Journalism/Political Science – University of Montana

Economic Development & Entrepreneurship

- 2019-2022 – Vice President – Great Falls Development Authority
- 2014-2022 – Regional Director – Great Falls area Small Business Development Center (SBDC)
- 2011-2012 -- Carondelet Estate Services, LLC; St. Louis, MO
- 2000-2002 -- JNitschke Photography; Denver, CO

Certifications

- 2021 – Certified PeerSpectives Facilitator – Edward Lowe Foundation
- 2017 – Certified Export Counselor – U.S. Small Business Administration
- 2017 – Certified Profit Mastery Facilitator – Business Resource Services
- 2015 -- Economic Development Finance Prof. (EDFP) – National Development Council
- 2015 -- Accredited Small Business Consultant (ASBC) – Association of Accredited Small Business Consultants
- 2015 -- Certified Business Advisor – GrowthWheel International

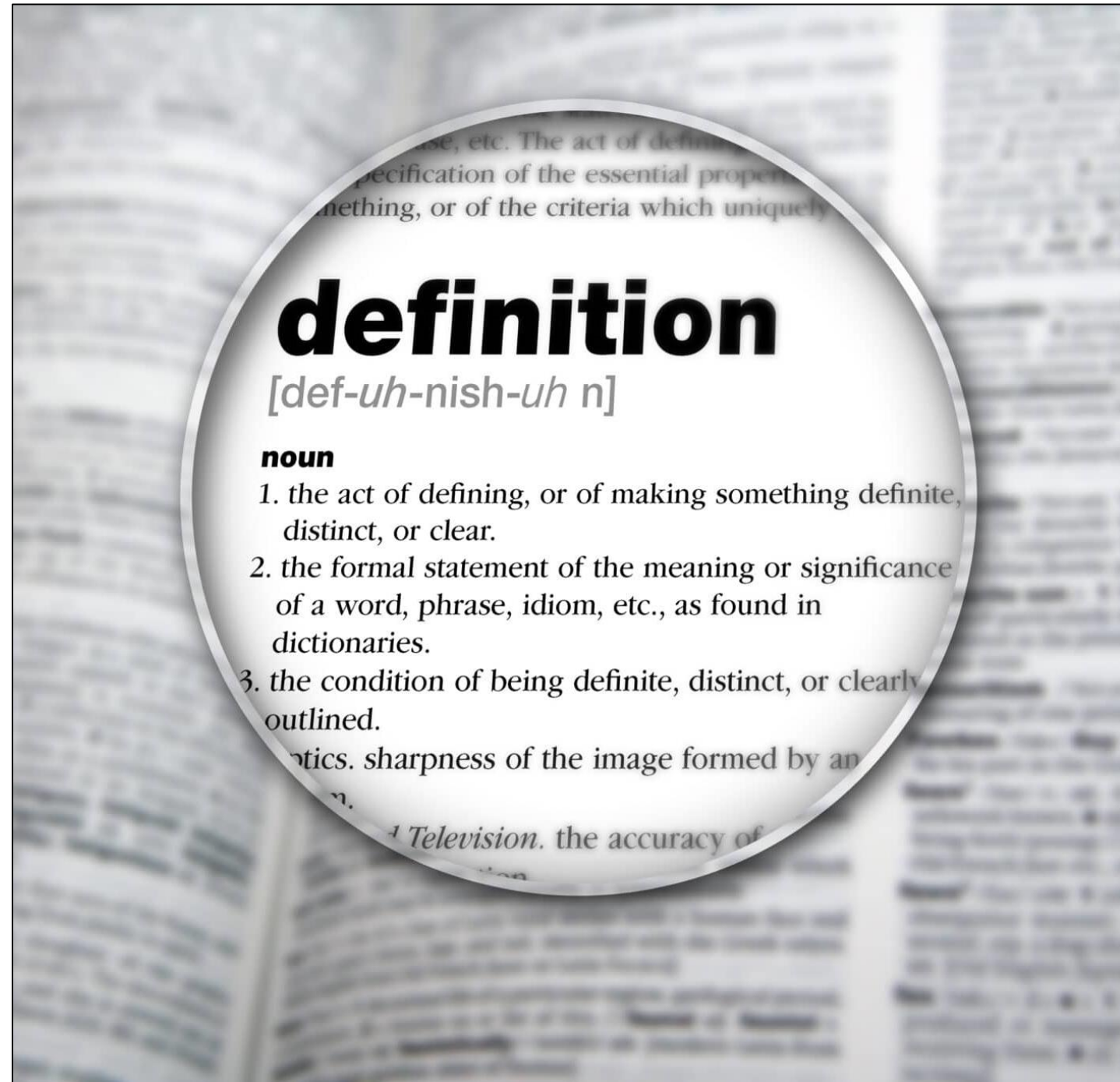
Recognitions

- 2022 – Boots to Business National Instructor of the Year – U.S. Small Business Administration
- 2018 – Montana SBDC State Star
- 2010 – Television News Enterprise Award – Montana Broadcasters Association
- 2009 – Television Sports Reporting Award – Society of Professional Journalists
- 2007 – Television Sports Enterprise Award – Montana Broadcasters Association

Goals for Today

- I. Determine the Audience
- II. Pick a Format
- III. Document Assumptions
- IV. Expenses
- V. Revenue
- VI. Financial Management

But First...



Commonly Used Terms

Budget=Financial Projection=Cash Flow Projection=Pro Forma

Financial Statements

Income Statement = Profit/Loss Statement

Balance Sheet

Cash Flow Statement

Introduction Question



What is the difference
between...

Making Money
Moving Money

Introduction Question

What is the goal of owning a business???

IRS Definition of “Business:”

“Any activity carried on for the production of **income** from selling goods or performing services.”

<https://www.irs.gov/charities-non-profits/trade-or-business-defined#:~:text=The%20term%20trade%20or%20business,of%20the%20Internal%20Revenue%20Code.>

IRS Definition of “Hobby:”

“A hobby is any activity that a person pursues because they enjoy it and with **no intention of making a profit.** People operate a business with the intention of making a profit.”

<https://www.irs.gov/newsroom/heres-how-to-tell-the-difference-between-a-hobby-and-a-business-for-tax-purposes>

Introduction Question

Q: How do we ensure that we are making money, not just moving it?

A: By managing it!



I. Determine the Audience

Who is this budget for?
How will it be presented?
How will it be used?



II. Pick a Format

STEP 1: Figure out what's best and easiest for you.

Q: What type of tool do you want to use to build your budget?

Q: How will that tool overlay with ongoing financial management & monthly reviews?



The screenshot displays the LivePlan software interface. At the top, the LivePlan logo is visible. Below it, the browser address bar shows the URL: `app.liveplan.com/company/oDbgo/sjlf/forecast/revenue`. The main navigation bar includes options for 'Financial Tables', 'Profit & Loss', 'Balance Sheet', and 'Cash Flow'. Under 'Financial Tables', there are sub-options for 'Revenue', 'Direct Costs', 'Personnel', 'Expenses', 'Assets', 'Taxes', 'Dividends', 'Cash Flow Assumptions', and 'Financing'. The 'Revenue' section is currently selected, showing a line chart for 'FY2024' with data points from July '23 to May '24. Below the chart is an 'Add Revenue Stream' table with columns for 'Revenue', 'FY2024', 'FY2025', and 'FY2026'. The table lists various revenue streams such as 'Registration Fees', 'Tuition1 - Infants (ages 0-2)', 'Tuition2 - Toddler (ages 2-3)', and 'Tuition3 - Preschool (ages 4-5)'. To the right of the chart is a detailed 'CASH FLOW - Year 1' spreadsheet. The spreadsheet has columns for months from January to December and a 'TOTAL Estimate' column. It includes rows for 'Cash on Hand', 'Cash Receipts', 'Total Cash Available', 'Cash Paid Out', and 'Subtotal'. The spreadsheet also includes various assumptions and notes, such as 'Assuming full day enrollment' and 'Assuming pricing based on st...'. The spreadsheet is overlaid with a standard Excel-style toolbar with options like 'Cut', 'Copy', 'Paste', 'Format Painter', 'Font', 'Alignment', 'Number', and 'Styles'.



III. Document Your Assumptions

- Show Your Work
- Calculations for your conclusions
- Source document for specific numbers

Q: What is the difference between W.A.G. and S.W.A.G?

“My brain isn’t the steel trap it used to be.”

Lillian Sunwall, Vice President
Great Falls Development Authority



IV. Expenses

- Start with Expenses
- Expense categories are standardized
 - Also referred to as the Chart of Accounts
- They are often the easiest to research
- They require the fewest assumptions
- They are most concrete

SCHEDULE C (Form 1040) Profit or Loss From Business (Sole Proprietorship)

OMB No. 1545-0074
2022
Attachment Sequence No. **09**

Department of the Treasury Internal Revenue Service
Go to www.irs.gov/ScheduleC for instructions and the latest information.
Attach to Form 1040, 1040-SR, 1040-NR, or 1041; partnerships must generally file Form 1065.

Name of proprietor _____ Social security number (SSN) _____

A Principal business or profession, including product or service (see instructions) _____ **B** Enter code from instructions _____

C Business name. If no separate business name, leave blank. _____ **D** Employer ID number (EIN) (see instr.) _____

E Business address (including suite or room no.) _____
City, town or post office, state, and ZIP code _____

F Accounting method: (1) Cash (2) Accrual (3) Other (specify) _____

G Did you "materially participate" in the operation of this business during 2022? If "No," see instructions for limit on losses Yes No

H If you started or acquired this business during 2022, check here

I Did you make any payments in 2022 that would require you to file Form(s) 1099? See instructions Yes No

J If "Yes," did you or will you file required Form(s) 1099? Yes No

Part I Income

1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked <input type="checkbox"/>	1	
2	Returns and allowances	2	
3	Subtract line 2 from line 1	3	
4	Cost of goods sold (from line 42)	4	
5	Gross profit. Subtract line 4 from line 3	5	
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	6	
7	Gross income. Add lines 5 and 6	7	

Part II Expenses. Enter expenses for business use of your home **only** on line 30.

7	Gross income. Add lines 5 and 6	7	
Part II Expenses. Enter expenses for business use of your home only on line 30.			
8	Advertising	8	
9	Car and truck expenses (see instructions)	9	
10	Commissions and fees	10	
11	Contract labor (see instructions)	11	
12	Depletion	12	
13	Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	13	
14	Employee benefit programs (other than on line 19)	14	
15	Insurance (other than health)	15	
16	Interest (see instructions):		
	a Mortgage (paid to banks, etc.)	16a	
	b Other	16b	
17	Legal and professional services	17	
18	Office expense (see instructions)	18	
19	Pension and profit-sharing plans	19	
20	Rent or lease (see instructions):		
	a Vehicles, machinery, and equipment	20a	
	b Other business property	20b	
21	Repairs and maintenance	21	
22	Supplies (not included in Part III)	22	
23	Taxes and licenses	23	
24	Travel and meals:		
	a Travel	24a	
	b Deductible meals (see instructions)	24b	
25	Utilities	25	
26	Wages (less employment credits)	26	
27a	Other expenses (from line 48)	27a	
	b Reserved for future use	27b	
28	Total expenses before expenses for business use of home. Add lines 8 through 27a	28	

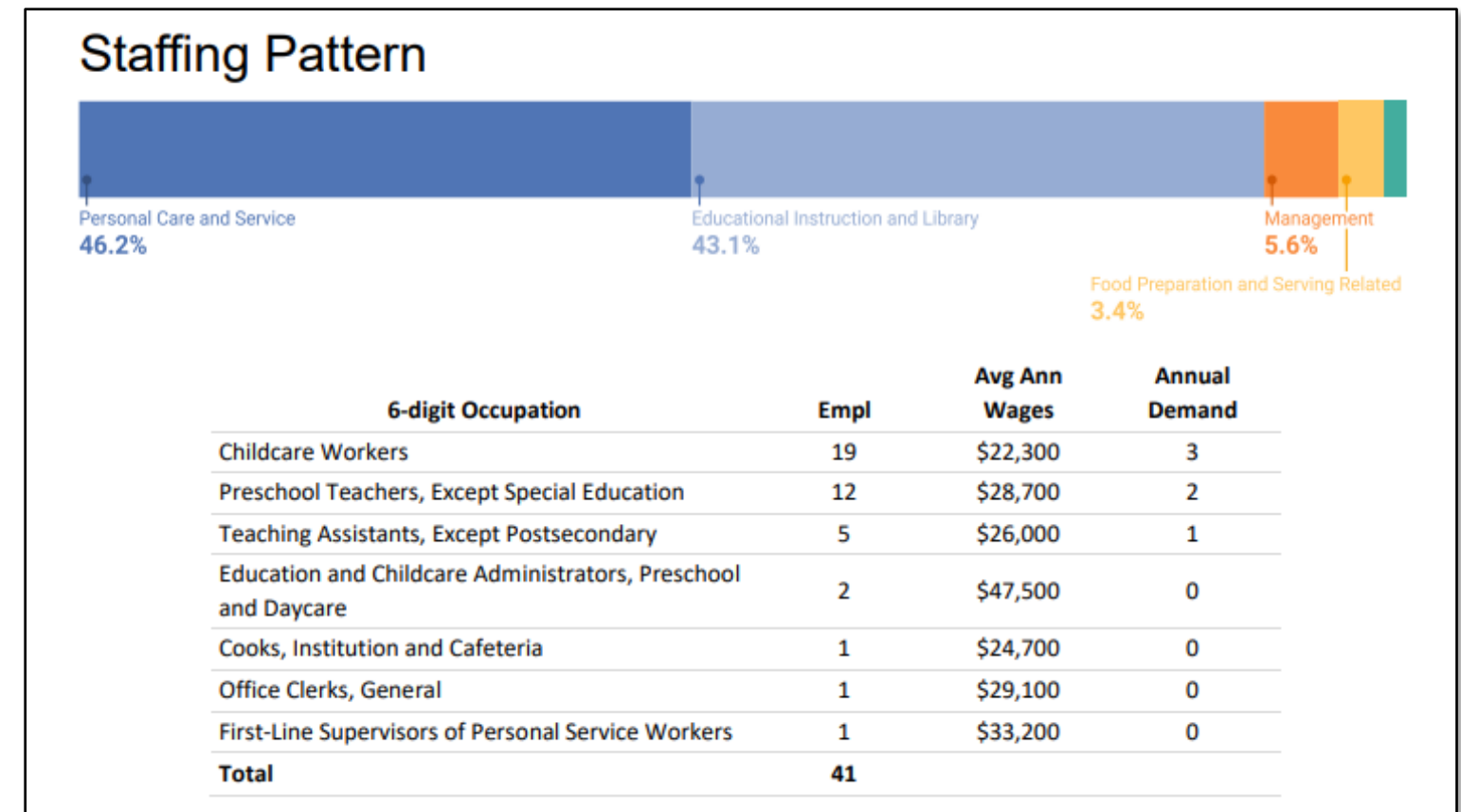
IV. Expenses

STEP 1: Start with the largest expenses

Wages, Payroll Expenses, & Benefits

- Based on market & industry research

	2023	2024	2025
Personnel			
Head Count	18.67	28	28
Average Salary	\$32,941	\$34,316	\$35,346
Revenue Per Employee	\$61,075	\$69,053	\$69,984
Net Profit Per Employee	\$4,621	\$9,916	\$9,423
Personnel Expenses	\$713,405	\$1,114,599	\$1,148,051
Salaries and Wages	\$615,004	\$960,861	\$989,699
Leads (9.89)	\$279,072	\$412,412	\$424,787
Aides (10.33)	\$232,968	\$411,336	\$423,684
Floater (1.72)	\$38,830	\$68,556	\$70,614
Manager	\$36,400	\$37,492	\$38,617
Cook	\$15,600	\$16,068	\$16,550
Cook's Assistant (0.94)	\$12,134	\$14,997	\$15,447
Employee-Related Expenses	\$98,401	\$153,738	\$158,352
Totals	\$713,405	\$1,114,599	\$1,148,051



In Montana...

Compensation is extremely low for providers (Median)*

- MT Preschool Administrators: \$48,050/year (\$23.10/hour)
- MT Preschool Teachers: \$29,370/year (\$14.12/hour)
- MT Childcare Workers: \$23,280/year (\$11.19/hour)

In the United States...

- US Childcare Workers: \$27,490/year (\$13.22/hour)
- Entry-level wage: \$20,363/year (\$9.79/hour)
- Experienced-level wage: \$27,040/year (\$13/hour)

IV. Expenses

STEP 2: What are the easiest to research?

- Estimates/Bids/Quotes
 - Insurance
 - Utilities
 - Rental Agreement
 - Debt Payments
 - Professional Development
 - License Renewals
 - Accounting/Tax Fees
 - Legal Fees
 - Telephone & Internet

Initial Data

LOAN DATA		TABLE DATA	
Loan amount:	\$400,000	Table starts at date:	
Annual interest rate:	7.00%	or at payment number:	
Term in years:	25		
Payments per year:	12		
First payment due:			

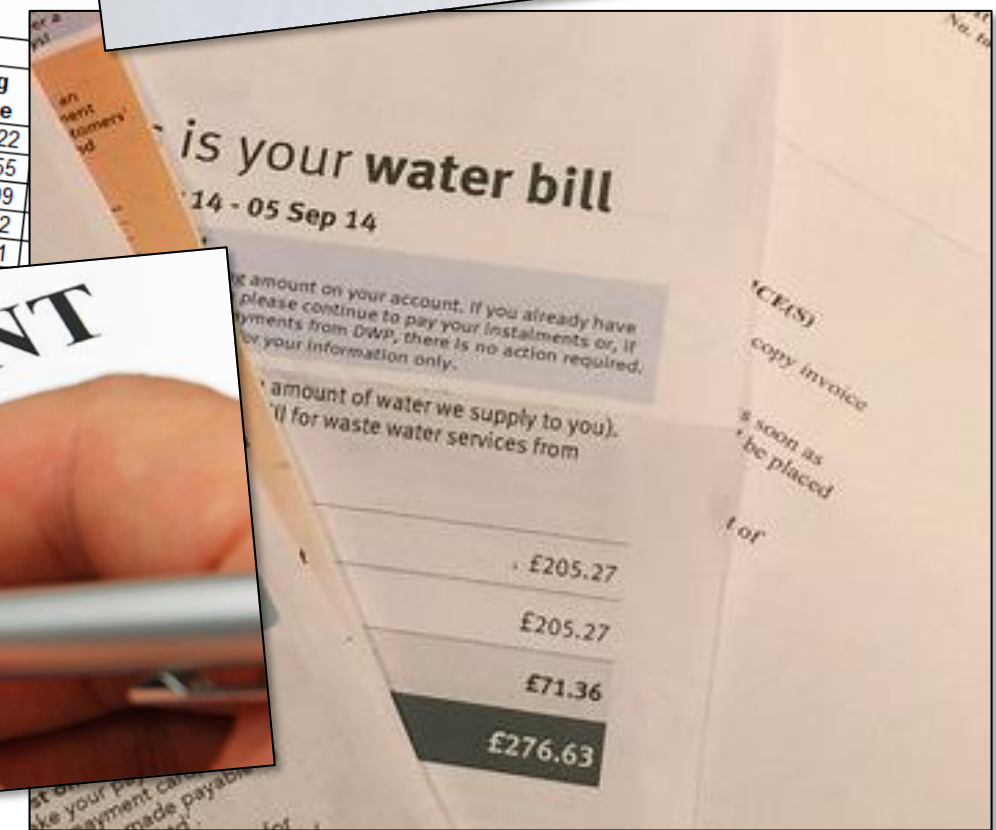
PERIODIC PAYMENT

Entered payment: \$0.00
Calculated payment: \$2,827.12

Use payment of: \$2,827.12
1st payment in table: 1

Table

No.	Payment Date	Beginning Balance	Interest	Principal	Ending Balance
1	1/0/1900	400,000.00	2,333.33	493.78	399,506.22
2	1/31/1900	399,506.22	2,330.45	496.66	399,009.55
3	2/29/1900	399,009.55	2,327.56	499.56	398,509.99
4	3/31/1900	398,509.99	2,324.64	502.48	398,007.52
5	4/30/1900	398,007.52	2,321.71	505.41	397,502.11
6	5/31/1900	397,502.11	2,318.76	508.35	396,993.76
7	6/30/1900	396,993.76	2,315.80		396,482.44
8	7/31/1900	396,482.44			395,969.00
9	8/31/1900	395,969.00			
10	9/30/1900				



IV. Expenses

STEP 3: Use Data to Make SWAGs & Build Budget Targets

- Marketing/Advertising
- Repairs & Maintenance
- Subscriptions
- Supplies (Office & Operating)

Q: Where can we find data to make SWAGs and build budget targets?

A: Industry financial benchmark reports

The image shows two overlapping documents. The top document is the cover of an IBISWorld industry report titled 'Day Care in the US'. The bottom document is a SageWorks 'Industry Data' table titled 'INDUSTRY FINANCIAL DATA AND RATIOS'.

IBISWorld Industry Report Cover:

- IBISWorld logo: WHERE KNOWLEDGE IS POWER
- INDUSTRY REPORT 62441
- Day Care in the US
- Baby business: Growth in per capita disposable income in the industry as child care services are likely to remain strong.
- Jameson Ayers | June 2022

SageWorks Industry Data Table:

Industry: 624410 - Child Day Care Services
Sales Range: Yearly sales under \$1 Million
Location: All Areas
Prepared On: 12/2/2022

Financial Metric	Average by Year (Number of Financial Statements)				
	Last 12 Months (274)	2021 (364)	2020 (679)	Last 5 Years (3,094)	All Years (8,457)
Current Ratio	5.79	5.22	4.07	3.66	3.07
Quick Ratio	4.73	4.58	3.36	3.11	2.58
Gross Profit Margin	98.26%	97.90%	97.36%	97.43%	97.10%
Net Profit Margin	16.20%	16.50%	5.57%	7.34%	5.16%
Inventory Days	--	--	--	--	--
Accounts Receivable Days	1.56	1.74	1.28	1.56	2.05
Accounts Payable Days	0.45	0.43	1.19	0.91	1.24
Interest Coverage Ratio	9.20	11.89	5.73	8.05	7.69
Debt-to-Equity Ratio	2.76	3.16	3.45	3.41	3.66
Debt Service Coverage Ratio	5.16	4.06	4.15	4.94	5.11
Return on Equity	65.25%	71.76%	46.88%	52.37%	46.27%
Return on Assets	36.52%	35.90%	18.74%	23.94%	22.22%
Gross Fixed Asset Turnover	5.45	4.97	4.61	5.16	5.07
Profit per Employee	\$1,384	\$1,384	\$2,133	\$1,533	\$2,088

IV. Expenses

STEP 4: Include a "Plug"

To account for:

- Other
- Miscellaneous
- Loss
- 5 Finger Discounts
- Waste
- Unknowns
 - AKA: What do I not know?



How Much?

A good rule of thumb is
2% per month or 25%
per year.

V. Revenue

STEP 1: Identify all revenue lines in your company

EXAMPLE:

Tuition Income

- Tuition – Ages 0-2
- Tuition – Ages 2-3
- Tuition – Ages 3-5
- Tuition – After School
- Tuition – Summer Program

Program Income

- CACFP
- STARS

Registration Fees

- Standard Tuition Registration
- After School Registration
- Summer Registration

Product Income

- Product Sales (diapers, toys, formula)
- Food Sales
- Book Fair Sales
- Learning Material Sales
- Merchandise Sales
- Class Photos Sales

Rental Income

- Kitchen Rent
- Space Rent – Parties
- Space Rent - Shared Service Providers

Other Service Income

- Training & Education Classes

V. Revenue

STEP 2: Use Formulas

1. Formulas enable EASY modification of variables
2. Formulas enable EASY scenario variances
3. Price x Volume x Time

EXAMPLE:

License capacity: 20
Total Infant Rooms: 2
Total Infants: 8
Days Open/Year: 250

PRICE: Tuition – Ages 0-2: \$63/DAY

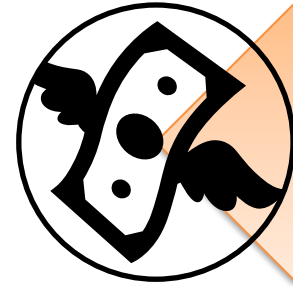
VOLUME: 8 Infants

TIME: 250 Days/Year

Total Projected Revenue - Infant Tuition:

$$\underline{\$63 \times 8 \times 250 = \$126,000}$$

VI. Financial Management



The point of the budget is to manage money



To manage, you must review



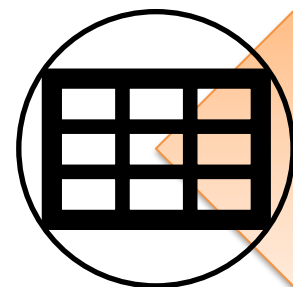
BEST PRACTICE:

Close the books within 10th day of previous month



WORK ON IT, NOT IN IT:

Schedule time to review with an advisor



Financial analysis = vertical & horizontal
Percentages, over budget, under budget

Summary

Create and Use Sweep Accounts

Additional bank accounts money goes into every month if/when cash in exceeds cash out.

Set Account Minimums

Working capital is the money needed to operate the business

By calculating a working capital minimum that you never drop below, you'll always have liquidity.

Cash Poor Companies Are Riskier Companies



Where Can I Learn More?

Training:

The screenshot shows the Montana SBDC website's 'Trainings and Workshops' page. At the top, there is a navigation bar with 'SERVICES', 'AGENCIES', 'LOGIN', and a search bar. Below the navigation is a banner for 'AMERICA'S SBDC MONTANA ACCREDITED MEMBER'. The main heading is 'TRAININGS AND WORKSHOPS'. The text describes the Montana SBDC Network's offerings and provides a link to a list of tools and trainings. It also mentions that some trainings are recorded and available on the 'Online Classroom'. A section for 'Creating Lasting Loyalty' is highlighted, featuring an icon of people, the title, date and time (March 8, 2023 1:00 - 2:00 pm), location (108 E Main St, Laurel MT 59044-3104), and details like 'No Fee' and 'Workshop/Seminar'.

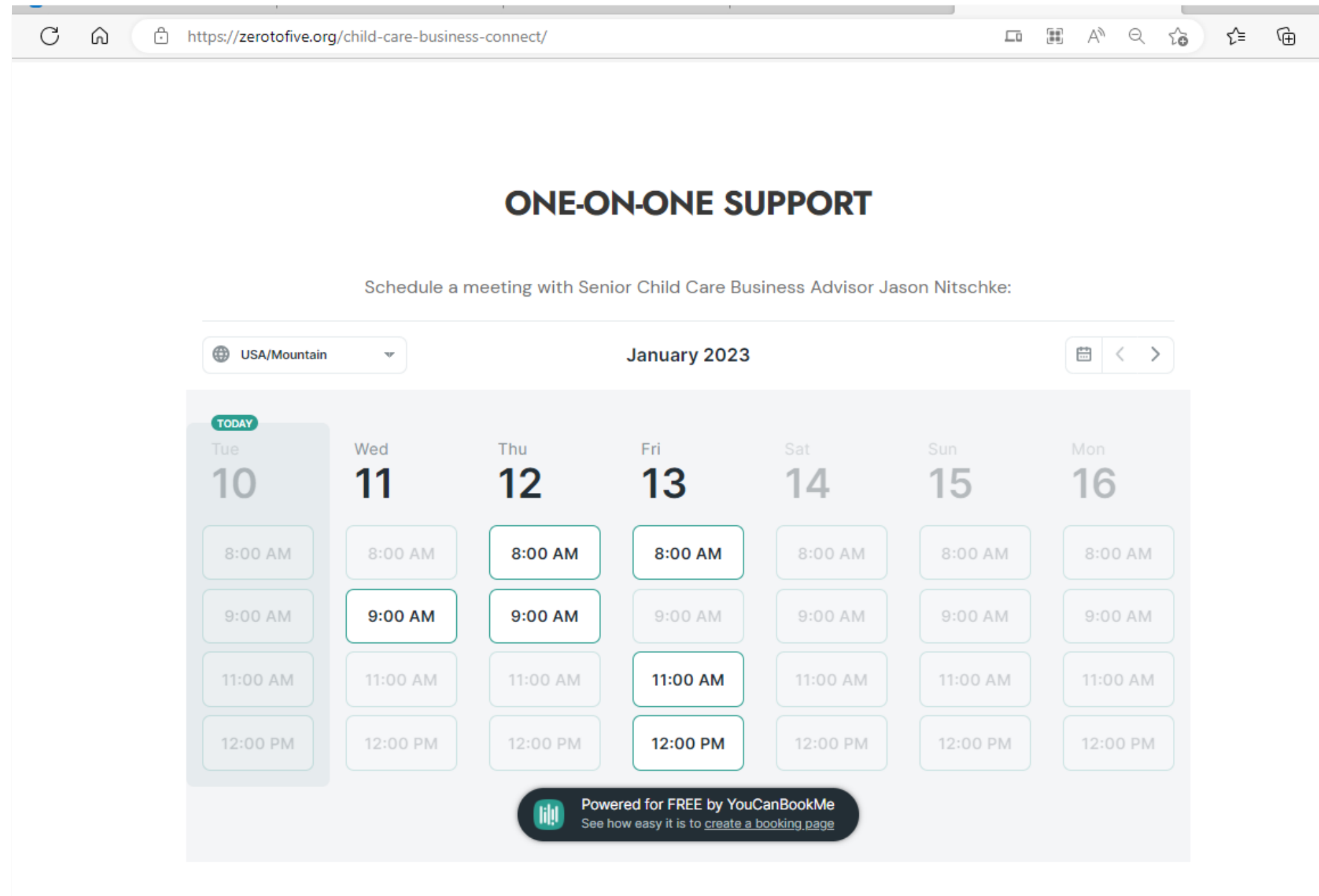
<https://sbdc.mt.gov/Services/Trainings-and-Workshops/>

The screenshot shows the Montana SBDC website's 'Classroom' page. It features a navigation bar similar to the previous page. A sidebar on the left contains a list of categories: 'All Categories', 'COVID-19 Resources', 'Operations', 'Marketing' (highlighted), 'Financial', and 'Pre-Venture'. Below the categories is a 'Tags' section with various business-related terms like 'ACCOUNTING', 'ACQUISITIONS', 'APPRAISALS', etc. The main content area displays two webinar series. The first is 'The Small Business Webinar Series: How to Organize and Use Your Branding Package', with a description and links for a slide deck, supplement PDF, and webinar. The second is 'The Small Business Webinar Series: Reduce Payment Friction and Sell on Your Website', also with a description and links for a slide deck and training. A third webinar series, 'Social Media Marketing with KRose Marketing: Presented by the Great Falls SBDC', is partially visible at the bottom.

<https://sbdc.mt.gov/Services/Trainings-and-Workshops/Classroom>

Is there anybody out there?

Technical Assistance: One-on-One Consultation



ChildCareBusinessConnect.com

More Professional Development Opportunities:

Tiny Training Series

May 18: How to price your services?

June 1: How to manage your money?

June 15: How to sustain without one-time funding?

June 29: How to organize your community around childcare solutions?

Register through your ECP Account:

<https://www.mtecpregistry.mtecp.org/register.aspx?evid=518051>

First Children's Finance

May 9, 2023 – 6:30-8:30 pm

Separating Your Family Child Care Finances from Your Personal Finances

<https://www.mtecpregistry.mtecp.org/register.aspx?evid=518275>

May 11, 2023 – 9:00 am-12:00 pm

Quality Staffing for Your Child Care Center

<https://www.mtecpregistry.mtecp.org/register.aspx?evid=518276>

June 22, 2023 – 9:00 am-11:00 am

Managing Enrollment in Your Child Care Center

<https://www.mtecpregistry.mtecp.org/register.aspx?evid=518277>

August 8, 2023 – 5:30 pm-7:30 pm

August 10, 2023 - 5:30 pm-7:30 pm

Child Care Business Boot Camp – Starting and Running a Successful Child Care Business

<https://www.mtecpregistry.mtecp.org/register.aspx?evid=518278>



Past Recordings Available At:

[On-Demand Webinars: ChildCareBusinessConnect.com](https://www.childcarebusinessconnect.com)



Connect with Business Connect!

Website:

ChildCareBusinessConnect.com

Email:

JasonN@ZeroToFive.org

Formally Request Assistance:

<https://mtsfdc.ecenterdirect.com/signup?centerid=21>

Schedule a Meeting:

<https://jason-nit.youcanbook.me/>

Newsletter:

<https://zerotofive.org/take-action/>

Social:



@zerotofivemt



@zerotofivemt



@ZeroToFiveMT



@zerotofivemontana



ZEROTOFIVE
MONTANA



How'd We Do?



<https://www.surveymonkey.com/r/TNNYZCS>