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Budgeting Basics

Preparing a Budget for ABC Child Care

Using the template provided, create a budget for ABC Child Care based on the below information; make notes about your assumptions and calculations. Some questions to consider:

- *What is the difference between salaried and hourly?*
- *Are unit amounts consistent (Are Expenses calculated weekly, monthly, or annually?)*
- *Are any expenses reimbursed? How are those budgeted?*

About ABC Child Care Budget Data

- ABC Child Care has 45 enrolled children. The center is open 52 weeks a year.
- 20 children are full time @ \$130/per week (9 full-time children are covered in full by parent fees; the remainder are covered by parents and state scholarship of \$22 per child per day). fees are paid based on enrollment not attendance.
- 25 children are part-time, equivalent to 15 full-time children (part-time children are covered by parent fees)
- The center received \$8,000 annually through the state's food reimbursement program
- A local business owner is sponsoring field trips for the center this year with a gift of \$500
- Salaries are the center's largest expense; there are six teachers that earn \$12.00/hour and work 35 hours per week; there is one supervisor teacher that earns \$15.00 hour and works 20 hours per week.
- The director is salaried and earns \$30,000 per year.
- The director receives two weeks of paid vacation annually; all hourly teaching staff receive one week of paid vacation per year and one week of unpaid (assume all vacation time is taken)
- The center spends \$1,500 per year on substitute teachers and has a part-time cook/cleaner who earns \$8,500 per year.

- Payroll taxes are 7.65% of salaries; workers compensation insurance is provided for all employees and costs \$1,800 per year.
- The center spends \$250 per teacher per year on professional development; double that for the director.
- Food costs are \$13,200 per year.
- Rent is \$12,000 per year; utilities are \$3,900 per year.
- Facility maintenance, including mowing and snow plowing is \$400 per month.
- Program supplies are \$150/month; administrative supplies are \$1,000/year.
- Postage and printing are \$800 per year; phone is \$1,200 per year; advertising is \$450.
- Liability and other insurance costs are \$2,800 per year; Licenses Cost \$150/Year.
- Four times a year we take the older kids on a field trip to XYZ farm; bus transport costs \$150 per trip.

After completing the budget reflect on the following questions. Budgets are all about assumptions – assumptions based on how you operate your center. Centers will vary in their priorities for staff and in how they serve their purpose or mission to provide quality care to children. Some centers are non-profit, run by a board of directors others are proprietary and the owner’s goals are paramount. These differences will influence how you make budget decisions and on how you reflect on some of the questions below.

1. What would be total income if the utilization rate for 2015 were 95%? what if it were 92%? what happens to the budget when those utilization rates are applied?
2. Is this a balanced budget?
3. Are there expense categories or expense calculations missing?
4. Are there revenue possibilities not being explored?
5. What lines items would you consider for cutting expenses?
6. What are some of the fixed expenses in this budget? Controllable expenses? Semi-controllable?