



TOOLS TO HELP FAMILY CHILD CARE PROGRAMS CREATE BUDGETS

(FAQ, Templates, Samples)

1. Why have a budget?

As a provider, you may be thinking “I get my bills paid, so I have enough money coming in!” or “Aren’t budgets only for when you *have* money? I don’t have any money, so what is there to budget?”

So, why budget? Budgeting is a planning process. Budgets estimate your money coming in and your money going out. It gives you a way to understand where your money is going and where it is coming from, as well as a way to plan for improvements that you might want to set aside or save funds for, whether it is for your Quality Improvement Plan, retirement, or other important improvements.

If you are in a situation where you don’t feel like you have enough money coming in to cover your expenses, budgets can help you identify areas of spending that you can adjust by reducing or increasing and help justify any rate changes you may need to make to keep your business in the black.

2. How do I start a budget from scratch?

If you are doing a budget for the first time, you may feel a little overwhelmed. Whenever we choose to organize something for the first time, it’s natural to wonder where to start! Doing a budget is organizing you estimated income and expenses. When figuring your budget, you can choose to start with figuring out your expenses or your income. Let’s start with the income side here first.

INCOME

Make a list of all the different places from which your program gets payments or fees. A typical list could include tuition, co-pays and subsidy payments if your program accepts these payments, CACFP payments from the food program, and any other fees (regular or irregular) that you collect. A regular fee could be an annual registration or supply fee – these fees are collected once per scheduled period on a regular basis as in once a year. An irregular fee would be one that is collected on ‘as-needed’ basis, like a late payment fee, which would only be collected if a parent paid late. Depending on how detailed you make your budget, you may not want to include irregular fees as they are harder to budget since you don’t know when they will be collected.

Tuition – Child care tuition can be figured for hourly, weekly or monthly rates.

CACFP – CACFP income based on enrollment for meals and snacks.

Fees – Fees or any other income from your business needs to be totaled. Take the amount of fee and multiply it by the number of times it will be collected and multiply that number by the number of families you will collect it from.

For example, you have 5 families enrolled and will be charging a \$25.00 registration fee once per year. {25.00 (amount of fee) x 1 (collected 1 time per year) = \$25.00}
 {\$25.00 x 5 (number of families you will collect it from) = \$125.00}

The worksheet “Creating a Budget Step by Step” will help you gather all your budget numbers in one place: <http://dcf.wisconsin.gov/files/youngstar/pdf/budget/b-creating-budget-family-sample.pdf> and <http://dcf.wisconsin.gov/files/youngstar/pdf/budget/familyexpensesemplate.doc>.

EXPENSES

The process for figuring expenses is similar to figuring income. In this section, you will list the ways you spend money for the program. Consider using the “Budget Worksheet to Estimate FCC Program Expenses” form (<http://dcf.wisconsin.gov/files/youngstar/pdf/budget/familyexpensestemplate.doc> or <http://dcf.wisconsin.gov/files/youngstar/pdf/budget/a-estimate-expenses-family-sample.pdf>) as a starting place to gather the figures. Once you have filled out the worksheet, the figures can be transferred to the “Creating a Budget, Step by Step” document, along with the estimated income figures that were created in the first section of these directions.

PUTTING IT ALL TOGETHER AND NEXT STEPS

In order to put it all together, your estimated income and estimated expense figures will need to be on the same document which is called a budget. If you use the YoungStar templates provided, you will have created an annual budget for the whole year. It may be useful to break that budget down to a month by month budget for easier monitoring. To do so, you would take each line item and divide it by 12 to get to the amount per month.

The form “Comparing Estimated Income and Expenses to Actual Income and Expenses” lets you compare your budgeted/estimated amounts per month alongside what you actually spend on those line items. Because some expenses are not regular (you may only pay them once a year or quarterly), do not expect your budget to line up exactly each month with what you spend. It may take several months to half a year to get a more realistic view of how accurate your budget is:

<http://dcf.wisconsin.gov/files/youngstar/pdf/budget/lineitemactuals.doc> and

<http://dcf.wisconsin.gov/files/youngstar/pdf/budget/d-line-item-estimates-actuals-family-sample.pdf>.

YoungStar requires that provider can show at least one area where the actual income and expenses from the previous year informs the annual budget for the current year. This may be shown as a separate document or as part of the annual budget document in the form of additional columns or notes. So if this is the first time you are doing a budget, make sure that when you complete the next year’s budget, you are keeping this in mind!

An example of a sample budget packet that is complete can be viewed at

<http://dcf.wisconsin.gov/youngstar/providers/budget>.

3. How do I fill out a new annual budget if my program had a budget last year?

If you already had a budget last year and have taken the time to compare your budgeted (estimated) amounts and your actual money spent, the process will be a little different. Take the time to compare each category of budget and actual amounts from last year. Where were you off? Did you budget too much or too little?

For each category or line item that you were significantly off, is there a reason that helps explain the difference? In some cases, there may have been a specific cause for the large difference. (Example: a child damaged a significant piece of furniture and it had to be replaced, or your enrollment was significantly under or over-budgeted.) For each line item, look at what you thought you would spend (budgeted/estimated) and what you actually spent. Decide which number seems like a more accurate picture for the next year, given what you know about your situation. If you are going to have a significant change that you are aware of (example: expanding licensing capacity), make sure to take that into consideration.

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An idea would be to take notes to remind yourself why you are selecting the figures you are for your budget. This may be called a budget justification. It helps to see how the figures were arrived at. For example, if my annual tuition line item is \$37,500, I may want to make a note of the math used to figure that [$\$625 \times 5 \text{ kids} \times 12 \text{ months}$] to help remind me. Then at the end of the year if my tuition is actually \$41,500, a review of the justification and math equation would help me realize it was off because I actually ended up having a 6th child to care for during the year for 6 months. This resulted in an additional income tuition of \$3750.00 [1 child x 6 months of care = 6; 6 x \$625.00 for monthly tuition = \$3750.00]. The actual tuition of \$41,500 was increased by \$3750 from the original of \$37,500.

Remember, for YoungStar, supporting your Quality Improvement Plan (QIP) is required, if money is needed to make the improvements in your QIP. You can make this a stand-alone item marked "QIP" like on the YoungStar budget templates or you can include additional funding under more general line items like Professional Development if you have additional training marked in your QIP.

4. How am I supposed to show the comparison for actual income or expense (the amount I actually received or spent on a line item) and estimated/budgeted amounts?

YoungStar has prepared two different versions of a worksheet for use to show the comparison for actual and budgeted/estimated amounts. These forms can be downloaded and are acceptable to use by providers. One worksheet shows the comparison of actual money spent to budgeted amounts by **month** (<http://dcf.wisconsin.gov/files/youngstar/docs/comparing-estimates-actuals.doc>) and the other worksheet shows the comparison by **line item** (<http://dcf.wisconsin.gov/files/youngstar/pdf/budget/lineitemactuals.pdf>).

A line item is a category listed in the budget. It could be an expense line item, like supplies, utilities, or food. Or it could be an income line item like SHARES payments, CACFP payments, co-pays, or tuition (money privately paid by families for child care).

Most providers find a month by month comparison most helpful. If you are interested in tracking by specific expenses, then the line item form may be more useful to you.

This example has both YoungStar line items and a monthly comparison: Part E YoungStar Actual Totaled Up Monthly. (<http://dcf.wisconsin.gov/files/youngstar/pdf/budget/fccactualstemplate.pdf> or <http://dcf.wisconsin.gov/files/youngstar/pdf/budget/e-actuals-family-sample.pdf>)

You can also use your own computer software program, if the software has a report which collects this data. Print out your software program report to share with your Formal Rater or Technical Consultant or have it available for viewing as needed during a visit.

If you have another way to show this comparison, make sure you have a format to show the comparison for the money you actually spent for **each** line item of your budget. Comparisons should be made for every category, even if the line item amount is zero or more than you budgeted.

Comparing what you actually spent (referred to as actual expenses) against what you thought you would spend (referred to as budgeted amount) is key to understanding the financial health of your business. It

is with a comparison that you can see how accurate your budget was, where changes need to be made, and how to create a more useful budget for the next year.

5. As a family child care provider, how am I supposed to keep track of what is business money and what is family money? How do I track my actual expenses?

YoungStar requires that you keep track of **income** for your business. Keep track of this through a separate method from other income. You can use a receipt book, financial log book, computer software, or some other method that works for you. At tax time, you will need to know what money was earned by the business and what money came from other sources, like other jobs.

Some **expenses** are completely personal expenses. These items do not need to be tracked for YoungStar purposes, but you may find it useful to track them for your own understanding of your spending habits. Examples of personal expenses might be cosmetics, personal clothing, or a gym membership. Other **expenses** are completely business expenses. It would be useful to budget for and track these expenses for your budgeting purposes. Examples of business expenses might be advertising, continuing education/conference fees, or membership fees.

Other **expenses** could be for items that are used for both your business and personal use. Tracking these items can be trickier, but tracking can be done. One way is the use of computer software to track purchases by having categories (binder with plastic pockets, extension files, etc.) set up for 'filing' the different amounts for different items. You can also code the receipts per category of expense. For example: **C** for cleaning, **T** for toys, **O** for office supplies, etc. You will want to code your items based on the categories in your budget, so you will be able to locate and refer to the expenses easier.

Another way to code receipts per item is the following: **P** for personal, **B** for business, and **S** for shared. This provider used **T/S** for Time-Space percentage. For a discussion on Time-Space percentage, consult your tax advisor or Tom Copeland's *Record Keeping Guide*.

B = 151.96
 T/S = 44.10
 P = 23.56

TARGET
 EXPECT MORE. PAY LESS.
 IOWA CITY - 319-351-5150
 04/23/2007 08:42 PM
 RECEIPT EXPIRES ON 07/22/07

A receipt dated within 90 days is required for ALL returns & exchanges. Giving a gift? Include a gift receipt!

003060174	T/S	PALMO LIVE	T	8.78
		2 @ 4.39		
003080405	T/S	PUREX	T	15.92
		4 @ 3.98		
253070199	B	PUFFS	T	11.08
		2 @ 5.54		
003070359	B	TARGET BRAND	T	11.16
		4 @ 2.79		
003050248	T/S	SOFT SCRUB	T	2.33
085020263	T/S	SCW REVEHL	T	14.97
		3 @ 4.99		
094080353	P	TGT DRINK CH	FT	22.44
		6 @ 3.74		
056010500	B	CANDN Z180U	T	104.98
253050466	B	DIXIE	T	6.72
		3 @ 2.24		
253030026	B	TARGET BRAND	T	10.78
		2 @ 5.39		
		SUBTOTAL		209.16
		T = IA TAX 5.0000% on		10.46
		TOTAL		219.62
		*2611 DEBIT TOTAL PAYMENT		219.62

RECEIPT ID# 2-7113-1113-0082-1758-4
 IM#****6851
 VCD# 751-289-732
 . INDICATES SALE PRICE
 Save ALL Receipts
 Give Gift Receipts & GiftCards
 Ask about Receipt Lookup



6. How can I show that my actual from current year inform my budget for next year?

One way to do that is to make adjustments for your new budget based on what you actually spent this past year. For example, in 2012, art supplies were budgeted for \$120 total for the year, or \$10 a month. When you sat down to do a comparison of **actual expense to budgeted expense** to see what was really spent, you were surprised to find out actual spending was \$180 on art supplies. That breaks down to \$15 a month. For the next year's budget (2013 budget), you could adjust the amount budgeted for art supplies to \$180 (\$15/month) if you think this is a more accurate number. Or you may decide that you will split the difference and budget \$150 (\$12.50/month).

As you have more experience in tracking your income and expenses, you will be more likely have a better sense of how and where to make adjustments in your annual budget. But remember, once you set up your budget, don't make a practice of continually changing the numbers on it, because if you do, you will not have a meaningful comparison at the end of the year. Also remember that some of the expenses are one-time expenses in the course of a year (e.g., liability insurance) or come up quarterly – and budgets cover an entire year. There will be some places in the budget where it doesn't always come out evenly immediately.

If , in the process of doing a review of actual expenses and budget (estimated amounts), you realize that you were significantly off in budgeting (estimated amounts), such that it will have a large effect on the accuracy of your budget for the rest of the year, you may want to make a budget adjustment. This could be done by creating an adjusted budget line item [you add/subtract the amount of the adjustment as a line item on the budget to show the adjustment]. You may also want to make a note for yourself to pay attention to this category of expense/income when creating the following year's budget so you can adjust your accuracy with the additional information you have.

Sample line item adjustment on a budget

EXPENSES			
For June	BUDGETED AMOUNT	ACTUAL EXPENSE	DIFFERENCE
Salary	700	700	0
Children Supplies	83	89.35	-6.35
Food	250	412.09	-162.09

If this provider knew that her food expense was going to remain at a higher level for the rest of the year, she may want to adjust her food budget amount. Food expenses could be higher because, for example, she enrolled several more children.

Adjusted budget for July (and the rest of the year) could look like this:

EXPENSES			
For JULY	BUDGETED AMOUNT	ACTUAL EXPENSES	DIFFERENCE
Salary	700		
Children Supplies	83		
Food	250		
Food adjustment	Additional + \$150		

Then, when the provider was comparing the actual expenses and budgeted (estimated) amounts, she would add the budgeted amounts in BOTH food line items and compare it to her amount of actual expenses that were spent.

7. Does any of this have to be on a computer?

No. YoungStar does not require providers to use a computer or computer software to track their budgets. YoungStar provides worksheets for providers to use to create budgets and track actual income/expenses. Though many providers find it useful to use computers, paper and pencil is just fine.

8. This is my personal information -- why do I have to show it to anyone?

The information YoungStar is looking for with the budget indicator is the **family child care business's** information – not your personal financial information. The budget does not have to include personal income/expense line items or spouse's income. Providers can choose to include this information if they wish or if they think it will help them have a more accurate financial picture.

The reason for focusing on the family child care **business's** income and expenses is to help providers see if the business is covering its own expenses with the money brought in.

9. How can I make a budget when payment is now linked to attendance -- I can't predict when kids will be here and when my budget will be off if I guess wrong because the state will only pay for the days the kids are here.

Once a provider has a general sense of the amount of care or hours that have been approved for a family using Wisconsin Shares, the provider can calculate a daily, weekly or monthly rate of reimbursement and enter the budgeted amount.

Because child care attendance can be an up and down affair, Tom Copeland suggests budgeting attendance income with a cushion – in other words, don't plan to be 100% full all the time. YoungStar provides some worksheets for providers to help estimate their attendance income (<http://dcf.wisconsin.gov/files/youngstar/pdf/budget/fcc-budget-templateb.pdf> or <http://dcf.wisconsin.gov/files/youngstar/pdf/budget/b-creating-budget-family-sample.pdf> with that cushion in mind. In addition, providers may consider policies and procedures which help educate parents about the impact of those missed days of child care.

10. How often do I have to compare my budget estimates and actual income and expense amounts for each star level?

At the 3 and 4 Star level, YoungStar requires that providers compare their estimated (budgeted) amounts and actual income and expense amounts spent once a year. This can coincide with the creation of their new annual budget for the next year.

At the 5 Star level, YoungStar requires that providers compare their budget (estimated) amounts and actual income and expense amounts twice a year – at the end of six months and again at the end of the year. This is to ensure that programs at this higher level are creating a fuller picture of their financial situation to be used for planning purposes.

11. Is anyone looking to verify if my budget is accurate? What if I budget incorrectly for this year's supply category? Am I going to get docked?

Technical Consultants and Formal Raters are not judging the amounts in the categories. If programs have identified working on budgets as an area of concern, Technical Consultants may ask clarifying questions to help identify any issues arising from the budgeting process, but it is up to programs to decide what line items are included in the budget and what amounts are assigned to each line item.

Programs are encouraged to revisit their budget comparison information regularly to learn from them and create a more accurate picture of the program's financial well-being.

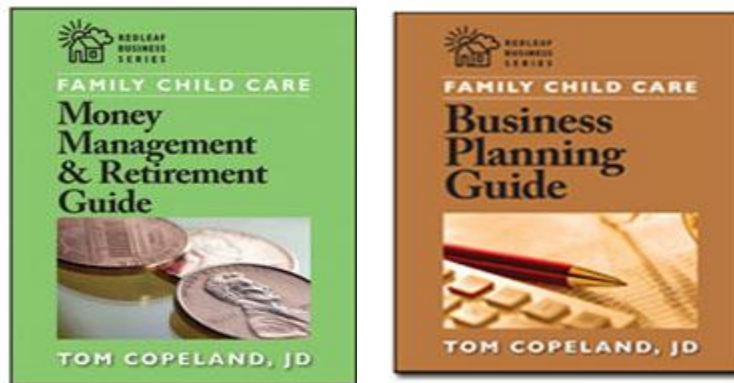
12. What resources are out there to help me with this?

YoungStar Business Practices workshops are available. These full day workshops offer support and resources for budgeting as well as other YoungStar business practices. Check with the local CCR&R for dates and times offered in your area.

The Wisconsin Women's Business Initiative Corporation (WWBIC) is an economic development corporation providing quality business education, technical assistance and access to capital for entrepreneurs. Established in 1987, *WWBIC* consults, educates and mentors owners of small and micro businesses throughout Wisconsin. They concentrate their efforts with women, people of color and those of lower incomes. *WWBIC* offers free and low cost training, help to write a business plan and a profit and loss template on their website. <http://www.wwbic.com/>

Also, look for classes or workshops on business practices offered at technical colleges, banks, credit unions, CCR&Rs, WECA, Wisconsin Family Child Care Association (WFCCA), or The Registry. In addition, a Technical Consultant can also offer business practices support or help find additional resources, like Family Child Care business practices kits available for purchase.

Tom Copeland's books, *Business Planning Guide* and *Money Management & Retirement Guide*, are excellent resources. Worksheets and step by step instructions to help providers understand more about their money are included. They are available for purchase at <http://www.redleafpress.org/> or may be lent from your local CCR&R library or from the Child Care Information Center (1-800-362-7353) <http://ccic.dcf.wi.gov/>.



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