

# Cash Flow Projections for a Center

Cash flow projections show what cash you anticipate coming into the business and what cash you anticipate going out of the business on a month-to-month basis. Here are some tips to think about when you prepare your cash flow projections:

## Cash Flow Tips

- Be conservative – lower your anticipated income and increase your anticipated expenses. If you can make the figures work by being conservative, you know you can make them work if you do better than that.
- Don't expect to be at full capacity immediately, it may take several months. Never project your enrollment to be greater than 85%.
- Always factor in a vacancy rate of at least 15% even after your start-up phase.
- Remember that it may take 30-90 days to receive government reimbursements and that regardless of what your star rating will be you will be reimbursed at the rate of a 1-star child care for at least the first six months that you operate.
- It's best to start your business in August or January.
- Beware of 2<sup>nd</sup> and 3<sup>rd</sup> shifts. These rarely make money.
- Caring for infants may increase your revenues.
- Don't rely on donations.
- Remember that payroll is always your biggest expense and should be included in your cash flow projections.
- Do not borrow against payroll taxes. The IRS can close down your business and charge high penalties if you fail to pay your payroll taxes.
- Always include reserves in your cash flow. You never know when your child care van may break down or your playground equipment will have to be replaced.
- If you get a building for free, think of what it would cost if you had to pay for it. If you are forced to relocate, it is important that you have cash available to pay for a building and rates reflective of your costs.
- Keep track of all the assumptions that you are making as you create your cash flow projections. Here are some commonly made assumptions:
  - The number of children who will enroll in your child care
  - The number of stars that you will have when you receive your star rated license
  - The amount of your rates
- **What can you do if your cash flow projections project a deficit?**
  - If you are not at full enrollment, increase your marketing efforts to fill the slots in your child care.
  - Collect money from any parents who have not yet paid you for your services.
  - Evaluate your costs. Are there any ways you can lower your direct and indirect costs?
  - Charge more for your services.

# Sample Cash Flow Projections for a Center

Month	Start Up	Jan	Feb	Mar	Apr	May	Jun
Number of Children – 100% private pay		4	6	7	9	9	9
Number of Children – with subsidy	5	11	12	15	16	18	18
Number of Children – after school/summer							
Number of children – part time (ages 0-5)							
TOTAL Number of Children	5	15	18	22	25	27	27
Beginning Cash Balance		\$31,279	\$24,823	\$20,157	\$16,134	\$15,183	\$13,234
<b>REVENUES</b>							
Private pay tuition revenues		\$2,594	\$3,892	4,540	5,837	5,837	5,837
Registration fees (\$25)		250	75	100	75	50	
Child care tuition subsidies		2,806	6,173	6,734	8,418	8,979	10,102
Other revenue: Late paymt & late pick-up fees		0	29	29	29	29	29
Food program revenue		496	1,245	1,359	1,699	1,812	2,039
Other revenue: \$30 activity fee per child per yr.		525	630	770	875	945	945
<b>TOTAL Revenue</b>	<b>\$0</b>	<b>\$6,671</b>	<b>\$12,044</b>	<b>\$13,532</b>	<b>\$16,933</b>	<b>\$17,652</b>	<b>\$18,952</b>
Loan Amount – bank	\$212,200						
Seller's Note	34,500						
Owner's Equity	23,585						
Cash Available	\$270,285	\$37,950	\$36,867	\$33,689	\$32,835	\$32,186	\$32,186
<b>EXPENSES</b>							
Building Cost	\$123,050						
Renovations	51,750						
Direct (variable) costs							
Teachers (5 at \$10/hr when full)		\$1,720	\$3,440	\$3,440	\$3,440	\$3,440	\$3,440
Assistants (6-1 as floater at \$8/hr when full)		2,752	4,128	4,128	4,128	5,504	5,504
Payroll taxes & benefits (var. payroll only)		671	1,135	1,135	1,1135	1,342	1,342
Food (provided by outside company)		1,002	1,198	1,466	1,663	1,797	1,797
Indirect (fixed) costs							
Asst director's salary (teacher at start and floater when full)		\$2,395	\$2,395	\$2,395	\$2,395	\$2,395	\$2,395
Payroll taxes and benefits (fixed payroll only)		359	359	359	359	359	359
Telephone	\$230	173	173	173	173	173	173
Utilities	173	345	345	345	345	345	345
Mortgage & wc loan (inc. prop. tax & haz. ins.)		1,418	1,418	1,418	1,418	1,418	1,418
Educational supplies/equipment	39,100	52	52	52	69	69	69
Insurance	3,450						
Office supplies/equipment (inc. kitchen & household supplies)	6,555	230	230	230	345	345	345
Advertising	920	56	56	58	58	58	58
License fees & dues	575	173					
Transportation							
Training & professional development	173	86	86	86	86	86	86
Accounting & legal	575			575			
Payroll service		163	163	163	163	163	163
Repairs & maintainence (inc. cleaning service)		58	58	58	58	58	58
Owner's draw		1,150	1,150	1,150	1,725	1,725	1,725
Seller's \$30,000 note – loan payments (payments after 6 months)							
Reserve (5% of month 2 indirect expenses)		324	324	324	324	324	324
Start-up contingency	12,455						
<b>TOTAL Expenses</b>	<b>\$239,006</b>	<b>\$13,127</b>	<b>\$16,710</b>	<b>\$17,555</b>	<b>\$17,884</b>	<b>\$19,601</b>	<b>\$26,885</b>
<b>NET PROFIT (Total Rev. – Total Exp.)</b>	<b>(\$239,006)</b>	<b>(\$6,456)</b>	<b>(4,666)</b>	<b>(4,023)</b>	<b>(\$951)</b>	<b>(\$649)</b>	<b>(\$5,628)</b>
<b>End Cash Balance</b>	<b>\$31,279</b>	<b>\$24,823</b>	<b>\$20,157</b>	<b>\$16,134</b>	<b>\$15,183</b>	<b>\$12,585</b>	<b>\$6,957</b>

