



Are you unsure of where the money goes?
How much you have? How much you are making?
Learn how to create a monthly budget to keep you on track.

Virginia's ARPA Child Care Stabilization Grant Program

Build a Monthly Budget in 4 Easy Steps

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Contents

Introduction	1
Building a Monthly Budget in 4 Easy Steps	1
Assistance is Available	3
Table 1: Calculate Monthly Revenue from Fees	4
Table 2: Monthly Budget	5



Introduction

An annual budget is a critical tool for managing your child care business. It helps you plan ahead for what you will spend and monitor your actual revenue and expenses to keep you on track. In the best of times, but especially in times of uncertainty, like the coronavirus pandemic, having a budget will let you know where your business is vulnerable.

But right now, a year-long budget is probably not manageable. You have changing costs, such as the price of PPE, and variable revenue, as the ratios between teachers and children change or new rules on subsidy payments come out.

During a focus group with Essex County, NJ family care providers, they asked for a budget tool, but one that will help them monthly throughout the pandemic. Accordingly, this workbook takes you step-by-step through the process of creating a tracking a monthly budget.

This budget workbook, created through the generous support of the Maher Charitable Foundation in partnership with Programs for Parents will help you stay on track and in business.

Once you get the hang of this exercise, you will likely want to make it one of your monthly business habits through the pandemic and be a starting point for budgets into the future.

Building a Monthly Budget in 4 Easy Steps

- STEP 1 – Gather Information
- STEP 2 – List Income
- STEP 3 – List Expenses
- STEP 4 – Track Your Actuals & Build the Next Month

Step 1: Gather Documentation

Pull 2–3 months of documents that show your income and expenses. Below is a list of documents that can give you the information you need.

Documents Showing Income & Expenses

- Bank statements
- Credit card statements
- Venmo transactions
- Utility bills
- Any other records of ways that you receive or spend money

Try to use actual amounts of your income and your costs when possible for greater accuracy. If you don't have actual amounts for everything, it's OK to use an average. For example, you might need to use your average electric bill because you don't know exactly how much electricity you'll use over the month.

Step 2: List Income

In order to determine an accurate monthly income, you will first need to calculate the money you will bring in based on the number of children at different rates. Complete [Table 1](#) to find the total revenue from fees based on the different rates you might offer.

Income Categories

- Subsidy
- Fees
- Grants
- PPP
- Other

Now that you've determined the money that comes in from fees each month, enter it in the "Fees" boxes in [Table 2](#).

Then categorize the other money that comes in each month. Be sure to always include an "Other" category.

Step 3: List Expenses

Categorize money that goes out each month using [Table 2](#). Again, be sure to list an "Other" category.

Be sure to include ALL of your PPE expenses. Many providers are buying PPE from multiple places to get the best deals when they come up. Try to keep all receipts and add them up so that you know how much your spending. Most providers are surprised to find that they are spending more than they thought on PPE.

If you need help calculating your PPE needs check out [this great online tool](#) from the state of New Jersey.

Calculating Expenses Based on Time-Space Percentage

When you offer childcare in your home, you can determine what percentage of it is being used for your businesses and base your expenses such as property tax, utilities, home repairs, and homeowner's insurance on this amount. This helps you understand what part of your home's expenses should be covered by your business.

This percentage is determined by calculating your **Time Percent** and then multiplying it by your **Space Percent**.

Your **Time Percent** is calculated by adding up the number of hours you are using your home for business purposes and dividing this number by the total number of hours in the year. There are 8,760 hours in a year.

Your **Space Percent** is calculated by dividing the number of square feet your home is used regularly for business by the total number of square feet in your home.

Example:

Let's say you offer care for 40 hours a week for 50 weeks during the year. Your time percent is 23%.

$$\text{Time \%} = (40 \text{ hours} \times 50 \text{ weeks}) \div 8,760 = 23\%$$

Let's also say you use your basement for your daycare space. Your basement is 1,000 square feet and your house is 2,000 square feet in total. Your space percent is 50%.

$$\text{Space \%} = 1,000 \text{ sq ft} \div 2,000 \text{ sq feet} = 50\%$$

$$\text{Time \%} \times \text{Space \%} = \text{Time-Space Percentage}$$

$$23\% \times 50\% = 11.5\%$$

Therefore your Time-Space Percentage is 11.5%.

Step 4: Track Actuals & Build the Next Month

Now you have your monthly budget in the “planned” column. Before you start for the month, find your planned profit by taking all your revenue and subtracting your expenses. If it is positive, that's the money you are estimating you will have at the end of the month. If it is negative, you are going to run at a loss this month, so you will need extra money to get by.

Now you need to track what you are really getting and spending in the month in the actual column. As you know expenses or revenue, write them in. At the end of the month, if you subtract your actual revenue from your actual expenses you will know how much money you made (or needed to make up to stay open).

In the third week of the month, prepare your budget for the next month (for example, in the third week of January, make your February budget). Use the actual revenue and expenses from the current month to guide you. For example, if you see a cost increasing that you didn't expect make sure you increase it on your budget.

Assistance is Available

Please visit the [Virginia Early Childhood Foundation's ARPA webpage](#) with resources to help strengthen your business. Resources include easy-to-read written guides, webinars, recorded tutorials, and more.

Through business coaching, providers can receive tailored feedback on topics as they are scheduled. While coaching will not provide you with specific details pertaining to your tax situation nor financial advice, you may find that the strategies may empower you to be a better informed business owner.

If you would like a deeper look into the strategies discussed in this guide or other business topics, please view the [coaching calendar](#) and register to join a coaching session.

Table 1: Calculate Monthly Revenue from Fees

RATE TYPE	MONTHLY RATE AMOUNT	X	NUMBER OF CHILDREN	=	MONTHLY REVENUE FROM FEES
<i>Example: Infants</i>	\$800	x	2	=	\$1,600
Infants		x		=	
Infants with Subsidy		x		=	
Toddlers		x		=	
Toddlers with Subsidy		x		=	
Preschool Age Children		x		=	
Preschool Age with Subsidy		x		=	
School Age		x		=	
School Age with Tuition Support		x		=	
Other		x		=	
Total Revenue from Fees Add all the "Monthly Revenue from Fees" Boxes together and write it on the line.					

Table 2: Monthly Budget

Month:

Revenue

CATEGORIES	PLANNED	ACTUAL
Fees		
Subsidy Payments		
Revenue Total		

Expenses

CATEGORIES	PLANNED	ACTUAL
Advertising		
Vehicle/Travel		
Insurance		
Business Loan Payment		
Supplies (including activities, toys, and office materials)		
PPE & Cleaning Supplies		
Rent of Equipment		
Employee Wages & Payroll Taxes		
Food		
Mortgage Payment or Rent (per time-space %)		
Total Utilities (per time-space %)		
Home Repairs (per time-space %)		
Estimated Taxes (if known) (per time-space %)		
Other		
Total Expenses		

Profit/Loss

	PLANNED	ACTUAL
Total Revenue minus Total Expenses		

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