

# Cash Flow Projections

Cash flow projections show what cash you anticipate earning from the business and what cash you anticipate spending on 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.
- No matter how many children you are licensed to care for, always plan to have a few vacancies. Always factor in a vacancy rate of at least 15% even after your first six months of operations. You need to plan for when families move or a parent loses her job.
- Remember that it may take 30-90 days to receive government reimbursements. If you are a new business 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 December because this is when many families make decisions about child care.
- Beware of 2<sup>nd</sup> and 3<sup>rd</sup> shifts. It can be difficult to break-even.
- Caring for infants may increase your revenues.
- Don't rely on donations.
- Remember that your owner's draw is always a large expense and should be included in your cash flow projections.
- If you hire employees and need to pay payroll taxes, always stay up-to-date on your payroll taxes. The IRS can close your business and charge high penalties if you fail to pay your payroll taxes.
- Always include a reserve for unplanned expenses in your cash flow. You never know when your child care van may break down or your playground equipment will have to be replaced.
- 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
  - How much you charge per child.
- **What can you do if your cash flow projections show you losing money?**
  - If you are not at full enrollment, increase your marketing efforts to fill the slots in your child care.
  - Evaluate your costs. Are there any ways you can lower your direct and overhead expenses?
  - Increase your rates for services.

# Cash Flow Projections

## Exercise 4-8: Cash Flow Projections

Fill in the cash flow projections for your child care business for the next 15 months (continued on following pages.)

Month	1.	2.	3.	4.	5.
<b>Beginning Cash Balance</b>					
<b>REVENUES</b>					
Registration fees					
Private pay tuition revenues					
Child care tuition subsidies					
Food program revenue					
Other revenue (T.E.A.C.H.; parent fees)					
<b>TOTAL Revenues</b>					
Loan Amount					
<b>TOTAL Cash Available</b>					
<b>EXPENSES</b>					
Owners draw					
Assistants/other staff					
Benefits (and payroll tax if necessary)					
Food					
Telephone					
Utilities					
Mortgage/rent					
Educational supplies/equipment					
Insurance					
Office supplies					
Advertising					
License fees and dues					
Transportation					
Training					
Accounting & legal					
Repairs & maintenance					
Property taxes					
Loan payments					
Other expenses					
<b>TOTAL Expenses</b>					
<b>NET PROFIT (LOSS)</b>					
<b>Ending Cash Balance</b>					

# Cash Flow Projections

Exercise 4-8: (continued)

Month	6.	7.	8.	9.	10.
<b>Beginning Cash Balance</b>					
<b>REVENUES</b>					
Registration fees					
Private pay tuition revenues					
Child care tuition subsidies					
Food program revenue					
Other revenue (T.E.A.C.H.; parent fees)					
<b>TOTAL Revenues</b>					
Loan Amount					
<b>TOTAL Cash Available</b>					
<b>EXPENSES</b>					
Owners draw					
Assistants/other staff					
Benefits (and payroll tax if necessary)					
Food					
Telephone					
Utilities					
Mortgage/rent					
Educational supplies/equipment					
Insurance					
Office supplies					
Advertising					
License fees and dues					
Transportation					
Training					
Accounting & legal					
Repairs & maintenance					
Property taxes					
Loan payments					
Other expenses					
<b>TOTAL Expenses</b>					
<b>NET PROFIT (LOSS)</b>					
<b>Ending Cash Balance</b>					

# Cash Flow Projections

Exercise 4-8: (continued)

Month	11.	12.	13.	14.	15.
<b>Beginning Cash Balance</b>					
<b>REVENUES</b>					
Registration fees					
Private pay tuition revenues					
Child care tuition subsidies					
Food program revenue					
Other revenue (T.E.A.C.H.; parent fees)					
<b>TOTAL Revenues</b>					
Loan Amount					
<b>TOTAL Cash Available</b>					
<b>EXPENSES</b>					
Owners draw					
Assistants/other staff					
Benefits (and payroll tax if necessary)					
Food					
Telephone					
Utilities					
Mortgage/rent					
Educational supplies/equipment					
Insurance					
Office supplies					
Advertising					
License fees and dues					
Transportation					
Training					
Accounting & legal					
Repairs & maintenance					
Property taxes					
Loan payments					
Other expenses					
<b>TOTAL Expenses</b>					
<b>NET PROFIT (LOSS)</b>					
<b>Ending Cash Balance</b>					