

# Fiscal Check-Up for Family Child Care Part 2: Tips for Tracking Actuals and Budgeting

BY ROBYN KELTON

Part 1 in this blog series, [Fiscal Check-Up Part 1: When a Budget Isn't Actually a Budget](#), focused on the distinction between a budget and actuals, how both documents contribute to keeping your family child care program financially afloat, and how to develop a budget. Now you will learn some tips for working with both your actuals and your budget. But first, a quick reminder of definitions:

A **budget** is a projection or a plan for the amount of money that will be made (revenue) by the child care business and the amount of money that will be spent (expenditures) to operate the child care business during the fiscal year (Talan & Bloom, 2018).

**Actuals** reflect how much money (income) has *actually* been received and how much money (expenses) has been paid out at a given point in time during a fiscal year (Talan & Bloom, 2018).

## Tips for Tracking Actuals

- **Track more than one month of income and expenses.** The more months you track your actuals, the more data you have to work with to more accurately estimate your future budget. Ideally you should be tracking for the full year—this will give you the clearest picture of what happens with your program's money, but even three months will give you more information than one. Remember, the more data collected, the more likely your estimates will be accurate.
- **Get help tracking income and expenses.** There are several websites that offer recommendations about finances. Some of them will not only automatically capture your income and expenses, but with help on your end, will categorize them and assist you in budgeting for the future. Keep in mind that there are also products that are specific to family child care. Calendar-Keeper™, Pie for Providers, and KidKare®, to name a few, are all designed for providers and offer various ways of tracking income and expenses. Spend some time researching different options and see which one makes the most sense for you and your business.
- **Use all your tracking efforts during tax season.** Tax season might be the most important season in the fiscal life of a family child care program. Your business taxes are where you should be taking advantage of all sorts of deductions. If you have been tracking all your 100% business-related expenses (e.g., professional development costs, equipment, advertising, toys) throughout the year

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you can easily claim them on your taxes. Additionally, if you have tracked all your shared expenses (e.g., utilities, mortgage interest/rent, cleaning and laundry supplies, home repairs) you can use your Time-Space Percentage to determine the tax deduction allowed for the business use of your home. For example, being able to write off 25% of a utility bill as a business expense. Tracking your actuals all year means that you have most of the recordkeeping you need at your fingertips come tax time. According to the 2018 reliability study of the *Business Administration Scale for Family Child Care* (BAS) data, only 29% of providers are reporting their Time-Space Percentage which means there are a lot of providers losing money each tax season!

## Tips for Budgeting

- **Start with a goal in mind.** How much do you want to earn from your business in the next fiscal year? Are there big purchases you want to be able to make? Think about the financial goals you want to achieve in the next year and use this as your motivation when you begin to plan your revenue and expenditures.
- **Don't automatically multiply by 12.** Make sure that you are thinking critically about what your actual income and expenses are each month and not just taking one month of actuals and multiplying it by 12. This will help ensure you capture bills that occur infrequently (i.e., quarterly), like insurance premiums or tax payments and predict shifts in recurring bills like utilities. If you live in Chicago for example, your heating bill is likely to be much higher in January than May. The same holds true for income. Are there months when you know that you will have low enrollment? Maybe there is a week over the summer when you have less children because older siblings watch them. Or maybe you receive an increase in income the week between Christmas and New Year's when K-12 schools are closed because you enroll school-age children full-time. Also, be sure to reflect on how patterns may change from month to month, this will help you create a more accurate budget and make it more likely that you will achieve your financial goals at the end of the year.
- **Look at the big picture and make adjustments to meet your needs/plans.** Once you have predicted your monthly spending (expenditures) and earnings (revenue), total all expenditures for the year and subtract that number from the total revenue for the year. Is that number bigger than zero? If yes, then great, you have a budget that projects a profit! If the answer is no, then you are operating your budget in a way that actually *costs you money* to be in business! Does the profit reflect your financial goal(s)? If yes, then great! If not, then you still have some work to do. But that's the beauty of the budgeting process—you can work to change things in the plan before the plan becomes a reality. Go back and review your projected expenditures and revenue. Ask yourself questions like: *where can I cut expenses* (can you shop more in bulk or call your internet company and tell them you want a better rate?) and *where can I increase revenue* (can you increase your late payment or late pick-up fee or claim food expenses on taxes?). Keep asking questions and adjusting the numbers until you have a feasible plan where you're happy with the projected profit.

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- **Don't be afraid to make adjustments to your practices and your budget even after the year has begun.** Indicator 7.3 in Item 4, Fiscal Management of the BAS states, “income and expenses are summarized on a quarterly basis and compared to cash-flow projections” (Talan & Bloom, 2018). What this entails is summarizing three months of your actuals and comparing that to a summary of your budget's revenue and expenditures from the same three months (these are called cash-flow projections). If the projected numbers align well with your actuals, great! If on the other hand, your numbers are off in a concerning way, then the good news is you can make adjustments!

Let's say in January a family left your program and it took you three weeks to fill that child care slot. As a result, your summarized actuals for the first quarter of the year are lower than your cash-flow projections. Yes, it is unfortunate that you did not earn what you had planned in January, but that does not mean the whole budget goes in the trash. Instead, take the time to make adjustments. Ask yourself, *what are some creative ways I can make up that missing income? Can I host a drop-in child care night where I charge families an extra fee and allow children to come to stay at my program in the evening or weekend and families can have a date-night or extra child-free time? Is there a new fee I could introduce or an old fee I could increase slightly?* Also ask, *where can I cut expenses? Can I hold a supplies drive where I ask families to donate items like paper towels, markers, etc., so I don't have to purchase them? Can I find materials on a nature walk to use in my next big art project rather than spending money to buy materials at the store?* The beauty of tracking your actuals and comparing them to cash-flow projections is that you can catch possible problems and make adjustments before you get too far off track.

- **Do not forget to budget for the Big R.** The Big R?!? Yes, RETIREMENT! Only 55% of women report that they are confident about retiring comfortably (Eisenberg, 2016). That's barely half, and I would guess that statistic is even lower in the field of family child care because it is unlikely that providers have an employer-offered plan. The solution is to get a qualified retirement plan and then add a line item to your budget for it. Maybe that means you budget to contribute \$10.00 a month to your retirement plan or maybe you budget to contribute \$1,000 once a year. The frequency and amount are completely up to you, but by adding it as a line item to the budget you are prioritizing your retirement well-being. After a long career of taking care of others, we want to make sure you will be all set to take care of yourself!

If you are interested in receiving training on the BAS, the McCormick Center for Early Childhood Leadership offers several opportunities including an upcoming BAS Reliability Training, March 24-27, 2020. More information can be found here: <https://mccormickcenter.nl.edu/events/business-administration-scale-bas-reliability-training-032419/>

Interested in learning more about financial operations for center-based child care administrators? Attend the PAS Reliability Training March 9-13, 2020 at the McCormick Center: <https://mccormickcenter.nl.edu/events/program-administration-scale-pas-reliability-training-030919/>.

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## References

Talan, T.T. & Bloom, P.J. (2018). *Business Administration Scale for Family Child Care* (2<sup>nd</sup> ed.). New York: NY: Teachers College Press.

Eisenberg, R. (2016). *Women and Retirement: Saving Less, Worrying More*. *Forbes*: <https://www.forbes.com/sites/nextavenue/2016/12/14/women-and-retirement-saving-less-worrying-more/#22646fba601d>.

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