



Session II:

Financial Reports and Internal Controls





- Introduce financial reports that can help you to better manage your program's finances.
- Identify what internal controls mean in a family child care setting and how they can strengthen the fiscal health of your program.

Strengthening Business Practices for Family Child Care



Notes:



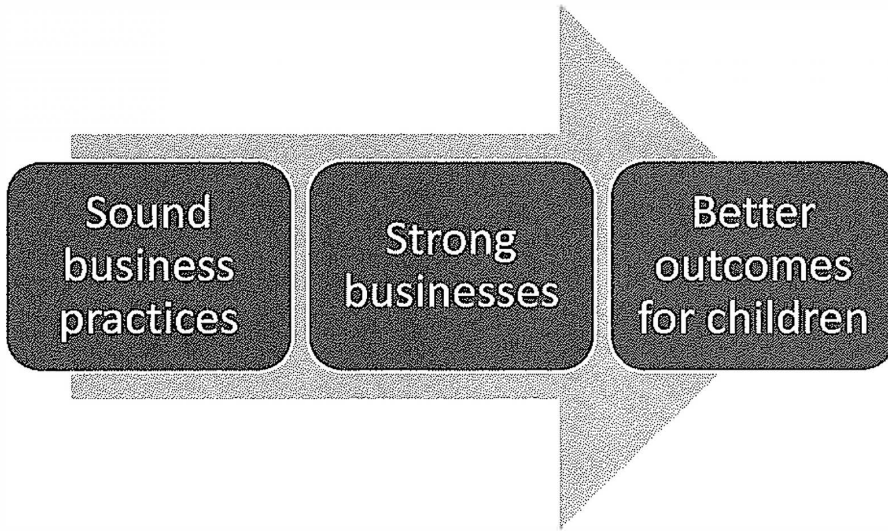
It's about the Children

Working with children is
your passion.
Running a business may not
be your passion.
But consider this ...



Strengthening Business Practices for Family Child Care

Notes:



Strengthening Business Practices for Family Child Care



Notes:



Introductions



Strengthening Business Practices for Family Child Care

Notes:

Warm-Up

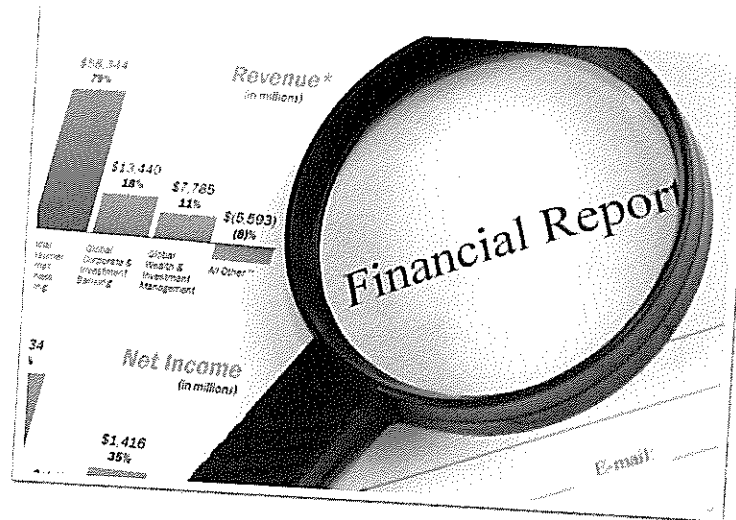


Strengthening Business Practices for Family Child Care

Notes:



How Do You Manage Your Finances?



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Notes:

Financial Reports

- Income statement
- Balance sheet
- Cash flow statement

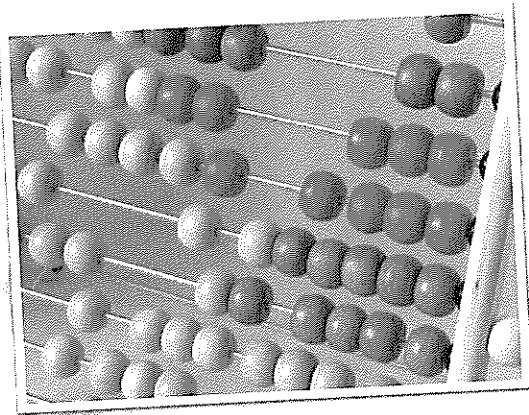


Strengthening Business Practices for Family Child Care

Notes:



Income Statement



- Revenue
- Expenses
- Net income

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Notes:

**Sample Early Care and Education Program
 Income Statement
 For the Period Ended May 31, 2018**

	<u>May 2018</u>	<u>May 2017</u>	<u>Variance</u>
Revenue	\$	\$	\$
-			
Expense	\$	\$	\$
=			
Net Income	\$	\$	\$

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Notes:

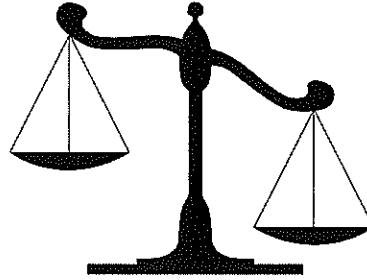
Sample Income Statement

Income Statement		
For the Period Ending MONTH DAY, YEAR		
REVENUE	as of xx/xx/20XX (current year)	as of xx/xx/20XX (same period prior year)
Tuition/Parent Fees		
Child Care Subsidies		
Child and Adult Care Food Program		
Registration and Holding Fees		
Early Drop-Off/Late Pick-Up Fees		
Other Income		
TOTAL REVENUE	\$0	\$0
EXPENSE		
Employee Payroll and Taxes		
Mortgage Interest/Real Estate Taxes*		
Rent*		
Utilities*		
Repairs and Maintenance*		
Telephone		
Insurance		
Office/Cleaning Supplies		
Food for Program Use		
Educational Supplies		
Medical Supplies		
Advertising		
Postage		
Travel		
Professional Development Classes/Conferences/Seminars		
Professional Membership Dues/Subscriptions		
License Fees		
Accountant/Legal/Professional Fees		
Bank Service Fees		
Taxes (Other Than Income Tax)		
Depreciation		
Other		
TOTAL EXPENSE	\$0	\$0
INCOME BEFORE TAX		
Income tax expense	\$0	\$0
NET INCOME	\$0	\$0

* Expenses allocated by business use percentage.

Balance Sheet

- Assets
- Liabilities
- Equity or net worth



Strengthening Business Practices for Family Child Care

Notes:



Sample Early Care and Education Program
Balance Sheet
As of May 31, 2018

<u>Assets</u>	<u>as of 5/31/18</u>	<u>as of 5/31/17</u>
Current assets		
Fixed (long-term) assets		
Total assets	\$0	\$0
-		
<u>Liabilities</u>		
Current liabilities		
Long-term liabilities		
Total liabilities	\$0	\$0
=		
<u>Equity</u>		
Net income (retained earnings)		
Owner's investment		
Other		
Total equity	\$0	\$0
Total liabilities and equity	\$0	\$0

Strengthening Business Practices for Family Child Care

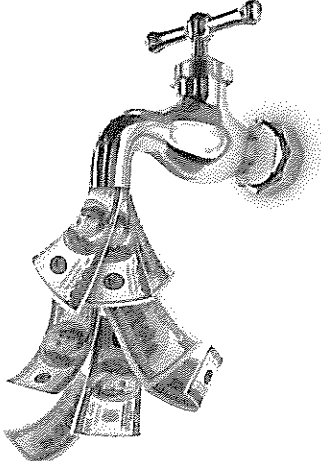
Notes:

Sample Balance Sheet

Balance Sheet		
As of MONTH DAY, YEAR		
ASSETS	as of xx/xx/20XX (current year)	as of xx/xx/20XX (same period prior year)
Current Assets		
Cash, Checking		
Cash, Savings		
Accounts Receivable		
Prepaid Expense		
Total Current Assets	\$0	\$0
Fixed (Long-Term) Assets		
Equipment		
Building		
Land		
Less: Accumulated Depreciation		
Total Fixed (Long-Term) Assets	\$0	\$0
TOTAL ASSETS	\$0	\$0
LIABILITIES		
Current Liabilities		
Taxes Payable		
Accounts Payable		
Total Current Liabilities	\$0	\$0
Long-Term Liabilities		
Long-Term Debt		
Mortgage Payable		
Other		
Total Long-Term Liabilities	\$0	\$0
TOTAL LIABILITIES	\$0	\$0
OWNER'S EQUITY		
Net Income (Retained Earnings)		
Owner's Investment		
TOTAL OWNER'S EQUITY	\$0	\$0
TOTAL LIABILITIES AND OWNER'S EQUITY	\$0	\$0

Cash Flow Statement

- Cash in
- Cash out



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Notes:

**Sample Early Care and Education Program
Cash Flow Statement
For the Period Ended May 31, 2018**

as of 5/31/18 as of 5/31/17

Cash received	\$0	\$0
Tuition/parent fees		
Subsidy payments		
Other income		
Cash paid out	\$0	\$0
Program expenses		
Utilities		
Insurance		
Other expenses		
<hr/>		
Net change in cash	\$0	\$0
<hr/>		
Cash balance beginning of month	\$0	\$0
<hr/>		
+ or - Net change in cash	\$0	\$0
<hr/>		
= Cash balance end of month	\$0	\$0
<hr/>		

Strengthening Business Practices for Family Child Care

Notes:

Sample Cash Flow Statement

Cash Flow Statement		
For the Period Ending MONTH DAY, YEAR		
	as of xx/xx/20XX (current year)	as of xx/xx/20XX (same period prior year)
CASH BALANCE BEGINNING OF MONTH	\$0	\$0
CASH FLOWS FROM OPERATIONS		
Cash Received		
Tuition/Parent Fees		
Child Care Subsidies		
Child and Adult Care Food Program		
All Other Fees		
All Other Cash Received (Fundraising, Other)		
Total Cash Received	\$0	\$0
Cash Paid Out		
Employee Payroll and Taxes (if applicable)		
Mortgage Interest/Real Estate Taxes*		
Rent*		
Utilities*		
Repairs and Maintenance*		
Telephone		
Insurance		
Office/Cleaning Supplies		
Food for Program Use		
Educational Supplies		
Medical Supplies		
Advertising		
Postage		
Transportation		
Professional Development		
Membership Dues/Subscriptions		
Licenses Fees		
Accountant/Legal/Professional Fees		
Bank Service Fees		
Taxes (Other Than Income Tax)		
Other Expenses		
Total Cash Paid Out	\$0	\$0
NET CASH FROM OPERATIONS	\$0	\$0
Cash Out for Personal Withdrawal	\$0	\$0
Cash Out for Other Withdrawal	\$0	\$0
NET CHANGE IN CASH	\$0	\$0
CASH BALANCE END OF MONTH	\$0	\$0

* Expenses allocated by business use percentage.

Financial Reports Matching



Strengthening Business Practices for Family Child Care

Notes:

Financial Reports Matching

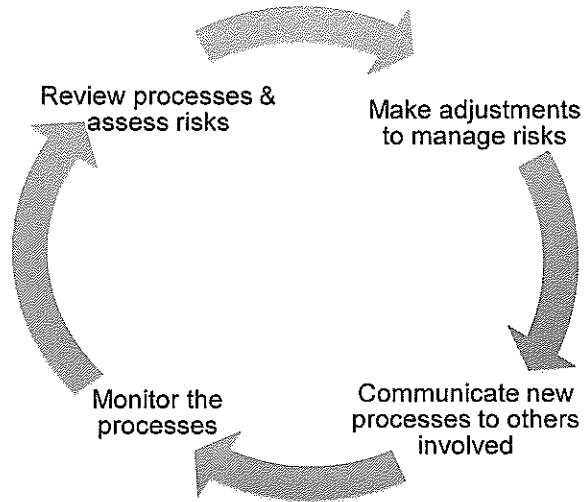
Match each line item with the correct financial report.

Financial Reports

Income Statement	Balance Sheet	Cash Flow Statement
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Line Item	Financial Report
Beginning Cash Balance	
Registration Fee Revenue	
Assets	
Equity	
Net Income	
Liabilities	
Program Supplies Expense	
Net Change in Cash	
Tuition Revenue	
Accountant Fees	
Cash Balance End of Month	

The Process of Internal Control

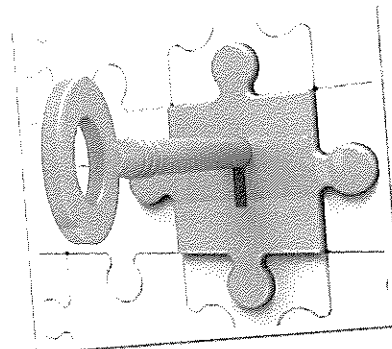


Strengthening Business Practices for Family Child Care

Notes:

Examples of Internal Controls

- Separate business bank account
- Financial report review
- Business record back up
- Organized recordkeeping
- Written parent handbook
- Data protection for personal information from parents and yourself



Strengthening Business Practices for Family Child Care

Notes:

Examples of Internal Controls

1. Separate business and personal bank accounts
 - a. Revenue and expenses flow through the business account whenever possible.
2. Review financial reports
 - a. Review these reports monthly to catch possible errors or omissions.
3. Back-up business records
 - a. Back up and store business records so they can be recovered in the event of an emergency.
 - b. Consider cloud storage if you keep electronic records or a safety deposit box if you keep paper records.
4. Protect personal information of families
 - a. Safeguard all personal information provided to you by (for example, credit card numbers, bank account information, addresses, health information).
5. Organized recordkeeping
 - a. Income—checks and cash—are deposited to the business account in a timely manner, and the deposits match the financial reports.
 - b. Receipts for business expenses are kept and filed in a particular order, such as by date.
 - c. Contracts with parents are kept and filed in a particular order, such as by last name.
 - d. Business licensing and incorporation documents are kept and filed in a particular order, such as by date.
6. Have a written parent policy handbook
 - a. Be clear and concise in your writing. You do not want to leave things up for interpretation.

What Have We Covered?



Financial statements

Internal controls

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Notes:

Assessment Checklist

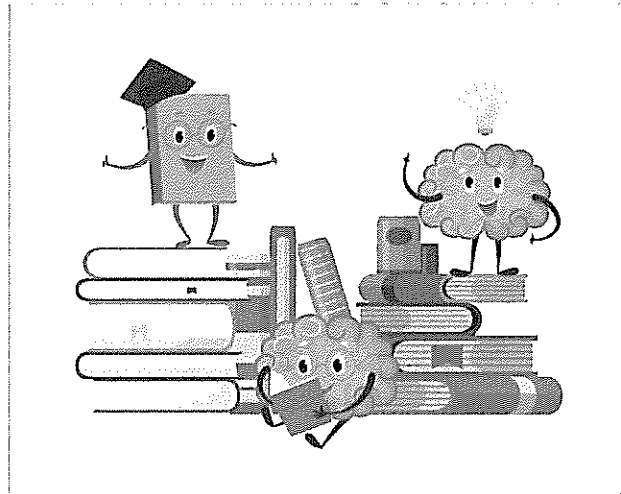


- Mission/Vision
- Program Plan
- Financial Plan (Budget)
- Record Keeping
- Marketing

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Notes:

Taking the Training Home



Strengthening Business Practices for Family Child Care

Notes:



Taking the Training Home

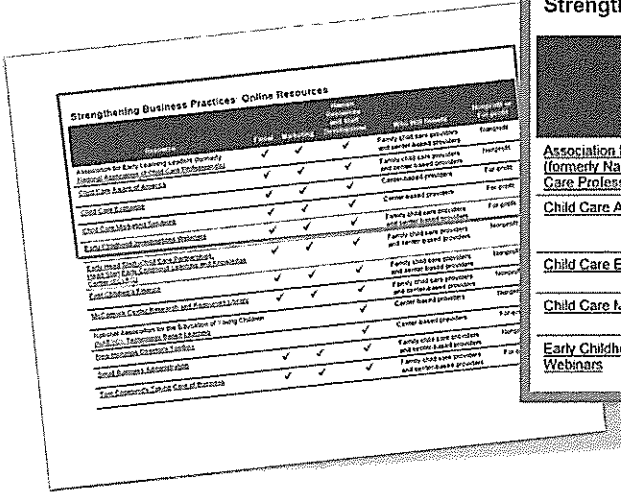
List three things that you learned from this training session that you will follow-up on when you get back to your program:

1.

2.

3.

Online Resources



Resource	Fiscal	Marketing	Human Resources and Staff Development	Who Will Benefit	Nonprofit or For-profit
Association for Early Learning Leaders (formerly National Association of Child Care Professionals)	✓	✓	✓	Family child care providers and center-based providers	Nonprofit
Child Care Aware of America	✓	✓	✓	Family child care providers and center-based providers	Nonprofit
Child Care Exchange	✓	✓	✓	Center-based providers	For-profit
Child Care Marketing Solutions	✓	✓	✓	Center-based providers	For-profit
Early Childhood Investigations Webinars	✓	✓	✓	Family child care providers and center-based providers	For-profit

Strengthening Business Practices for Family Child Care

Notes:

Strengthening Business Practices: Online Resource

Resource	Fiscal	Marketing	Human Resources and Staff Development	Who Will Benefit	Nonprofit or For-profit
<u>Association for Early Learning Leaders (formerly National Association of Child Care Professionals)</u>	✓	✓	✓	Family child care providers and center-based providers	Nonprofit
<u>Child Care Aware of America</u>	✓	✓	✓	Family child care providers and center-based providers	Nonprofit
<u>Child Care Exchange</u>	✓	✓	✓	Center-based providers	For-profit
<u>Child Care Marketing Solutions</u>	✓	✓	✓	Center-based providers	For-profit
<u>Early Childhood Investigations Webinars</u>	✓	✓	✓	Family child care providers and center-based providers	For-profit
<u>Early Head Start–Child Care Partnerships, Head Start Early Childhood Learning and Knowledge Center (ECLKC)</u>	✓	✓	✓	Family child care providers and center-based providers	Nonprofit
<u>First Children's Finance</u>	✓	✓	✓	Family child care providers and center-based providers	Nonprofit
<u>McCormick Center Research and Resources Library</u>	✓	✓	✓	Family child care providers and center-based providers	Nonprofit
<u>National Association for the Education of Young Children (NAEYC): Technology Based Learning</u>			✓	Center-based providers	Nonprofit
<u>New Horizons Director's Toolbox</u>			✓	Center-based providers	For-profit
<u>Small Business Administration</u>	✓	✓	✓	Family child care providers and center-based providers	Nonprofit
<u>Tom Copeland's Taking Care of Business</u>	✓	✓	✓	Family child care providers and center-based providers	For-profit