BUDGETING 101

CREATING & MAINTAINING A BUDGET

WHAT IS A BUDGET?

A business action plan expressed in dollars that estimates expected income and expenses for a specified period of time

WHY IS A BUDGET IMPORTANT?

BENEFITS

➢Requires a business to plan ahead

➢Promotes awareness of the business' overall operations

➢Creates an early warning system and helps control expenses

➢Useful guide for decision making

ORGANIZATION WIDE BUDGET VS. PROGRAM BUDGET

ORGANIZATION WIDE

➢Identifies all income and expenses for the entire organization

PROGRAM WIDE

➢Identifies all income and expenses broken down for each program

  ➢Pre-school

  ➢Infant care

  ➢After-school

  ➢Food service

DEVELOPING A BUDGET

Establish time period the budget will cover

➤Generally one fiscal year

Estimate number of children served/enrolled

➤Licensed capacity

➤Facility capacity based on occupancy permit

ELEMENTS IN A BUDGET

ESTIMATED ANTICIPATED REVENUE

➢Tuition fees

➢Government funding/Grants

➢Historical data from Accounting System financial statements

➢Estimated daily attendance

➢Income from other sources

    ➢Fundraising

    ➢Donations

ELEMENTS IN A BUDGET CONT.

ESTIMATED EXPENSES

➢Fixed expenses- do not fluctuate based on attendance

  ➢Rent/Mortgage on building

  ➢Insurance

  ➢Utilities

  ➢Telephone

➢Salary expenditures

  ➢Number of Staff and anticipated gross salary for time period of budget

  ➢Anticipated benefits

    ➢Vacation, Sick leave, Retirement and Health Insurance

    ➢Employer portion of taxes(FICA, Workers Comp and Unemployment Insurance)

ELEMENTS IN A BUDGET CONT.

ESTIMATED EXPENSES CONT.

➤ Contractual program requirements
  ➤ Required Audit
  ➤ Required program reporting
    ➤ Program monitoring
    ➤ Operational reporting
    ➤ Licensing
    ➤ Collection of income eligibility forms
➤ Everything else
  ➤ Materials and supplies
  ➤ Equipment
  ➤ Staff development/training
  ➤ Advertising
  ➤ Travel/Mileage

BUDGET REVIEW

ARE THE REVENUE ASSUMPTIONS USED TO CREATE THE BUDGET REASONABLE AND REALISTIC

➢ Can they be supported by past financial statements or justifiable assumptions of future revenue

ARE EXPENSES ACCURATELY REFLECTED BASED ON ANTICIPATED REVENUE

HOW MUCH IS THE PROJECTED SURPLUS/DEFICIT FOR THE BUDGET

BUDGETING PITFALLS

OVERESTIMATING REVENUES
➢ Unrealistic expectations of the start up enrollment for a new facility
➢ Unrealistic growth in enrollment of existing facilities

UNDERESTIMATING EXPENSES
➢ Unanticipated staff expenses
➢ Higher food cost
➢ Not planning for the unexpected

NOT RECOGNIZING BREAK EVEN POINT FOR YOUR BUSINESS
➢ What is the minimum revenue required to meet expense obligations and provide quality care

NOT REVIEWING THE BUDGET VS. ACTUAL ACCOUNTING FINANCIAL STATEMENTS AT LEAST QUARTERLY
➢ Identify program specific discrepancies in budgeted vs. actual revenue
➢ Identify program specific discrepancies in budgeted vs. actual expenses
➢ What programs are over/under budgeted forecast
➢ Identify if the budget is still realistic or if it needs to be adjusted

BUDGETING FOR FOOD ITEMS

➢ Prepare Menu – include serving sizes of items for each meal component

➢ Determine purchase quantity for meal components based upon serving size and estimated number of meals needed

➢ Food Buying Guide Calculator for Child Nutrition Programs - http://fbg.nfsmi.org/Default.aspx

    ➢ Creates a shopping list based upon your menu

    ➢ Calculates quantity of items needed to serve estimated number of children based upon serving sizes selected

➢ Annual Budgeting – Determine an average food cost per child based upon your monthly menu or cycle menu

PURCHASING TIPS

PLAN YOUR MENUS AS FAR IN ADVANCE AS POSSIBLE

BUY NON PERSHIBLE ITEMS IN BULK WHEN POSSIBLE

JOIN A FOOD BANK

COMBINE PURCHASING WITH OTHER CENTERS TO REDUCE PRICE

IS IT WORTH DRIVING 50 MILES TO SAVE $5?

NUTRITIOUS DOESN'T MEAN EXPENSIVE

DON'T SHOP HUNGRY

CLIP COUPONS

COMPARISON SHOPPING

MAKE A SHOPPING LIST AND STICK TO IT (LIMIT IMPULSE ITEMS)

MAKE SURE YOU HAVE ADEQUATE STORAGE (YOU CAN NOT FREEZE MILK)

PARTIAL LIST OF FOOD VENDORS

US Food Service:

800 Fiber Optic Drive

Little Rock, AR 72117

501-235-4300

Food for Good-Pepsico

555 West Monroe Street

Chicago, IL 60661

312-821-2947

Tankersley Foodservice:

3203 Industrial Park Rd.

Van Buren, AR 72956

479-471-6800   800-762-6182

Highland, Turner and Coleman Dairy

6901 Interstate 30

Little Rock, AR 72209

501-748-1700

Performance Food Group:

4901 Asher Ave.

Little Rock, AR 72204

501-568-3141

Owens Food Service

9 Portea Dr.

Pine Bluff, AR 71601

870-535-0770

Ben E. Keith Little Rock

1200 Pike Ave.

North Little Rock, AR 72114

501-978-5000

Metro Foods

3300 Brown St.

Little Rock, AR 72204

501-280-9999

PARTIAL LIST OF ARKANSAS FOOD BANKS

<u>Food Bank of North Central Arkansas</u>	<u>Arkansas Food Bank Network</u>
www.foodbanknca.org	www.arkansasfoodbank.
14215 AR-5	8121 Distribution Dr Bldg A
Norfork, AR	Little Rock, AR
(870) 499-7565	(501) 565-8121
<u>Food Bank of Northeast Arkansas</u>	<u>Harvest Texarkana Food Bank</u>
foodbankofnea.org	www.harvesttexarkana.org
3406 S Culberhouse Rd	3406 S Culberhouse Rd
Jonesboro, AR	Jonesboro, AR
(870) 932-3663	(870) 932-3663
<u>Loaves & Fishes Food Bank of the Ozarks</u>	<u>Food For Kids</u>
home.windstream.net	ricedepot.org
301 Bunch Springs Rd	3801 W 65th St
Berryville, AR	Little Rock, AR
(870) 423-4246	(501) 565-8855

RESOURCES

http://childcareaware.org/child-care-providers/business-plan/preparing-a-budget

http://www.irs.gov/Businesses/Small-Businesses-&-Self-Employed/Small-Business-Self-Employed-Virtual-Small-Business-Tax-Workshop

http://www.firstchildrensfinance.org/businessresourcecenter/wp-content/blogs.dir/2/files/2011/01/Making_Your_Financials_Work_for_You_A_Self_Study_Guide.pdf

http://www.fns.usda.gov/sites/default/files/blocks3.pdf