

A Financial Checkup for your Child Care Program

PRESENTED BY KATHE PETCHEL

Senior Client Relations

HINGE Early Education Advisors

Kathe Petchel, Client Relations

- Multi-site Owner in Charlottesville, VA since 1984
- Board Member of Virginia Child Care Association
- Passionate about Childcare financial and Operations Best Practices
- Informed on Industry Trends and Challenges
- Engaged with State, National and International Associations
- Consult with Clients on Succession Planning and Exit Strategies
- Support with the Valuation Process



kpetchel@hingeadvisors.com / 434.962.2541

TODAY'S AGENDA

Industry Update

Start with the Basics

Inflation

Expense & Revenue Strategies

Grants

How to Add Value to Your Program

Industry Update

Growth Strategies

- Creative Partnerships with Other Industries Serving Young Children
- Dirt – Build-to-Suit, Dark Buildings and Remnant Space, Closed Programs or Offices that meet Facility Needs
- Watch the Economy for Building Opportunities

Exit Strategies

- Add Value to Business before Selling
- Use Grant funds to do Deferred Maintenance
- Financial Stewardship is Essential (Tuition Rates, Salaries, Rent, etc.)

Strong Buyers

- International | Strategic | Regional | Local, In House, Family

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Test Your Knowledge

The Basics: Yes or No?

1. Do you utilize a system to make financial tracking and reporting easy and understandable?
2. Do you know recommended best practice expense percentages for the Top Three largest expenses?
 - Labor
 - Rent/Mortgage Program
3. Do you know the percentage of FTEs desirable to be profitable?

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Recommended Expense Percentages

Rent/Mortgage	8-15%
Labor	42-51% (not including payroll taxes)
Program	10%

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Challenges

- Staffing at Crisis Level—Impacting Growth and Quality
- Inflation
- Supply Costs Continue to Rise
- Interest Rates
- COVID Consequences on Children and Families (Speech and Language, Emotional Development, Self-Regulations, Parent Fears, Parent Trust)

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Framework Budget Sheet

Input Center Numbers Here										
Center's Licensed Capacity	150									
Center's 3 Year Old Weekly Tuition Rate	\$220									
My Silent Business Partner										
820 South Main Street Suite 203										
Greenville, SC 29601										
Occupancy	50.00%		60.00%		70.00%		80.00%		90.00%	
Licensed Capacity	150		150		150		150		150	
3 year old Tuition Rate	\$220		\$220		\$220		\$220		\$220	
INCOME										
Tuition and Other Income	\$900,900		\$1,081,080		\$1,261,260		\$1,441,440		\$1,621,620	
Less Discounts	-\$42,900		-\$51,480		-\$60,060		-\$68,640		-\$77,220	
Net Revenue	\$858,000	100.00%	\$1,029,600	100.00%	\$1,201,200	100.00%	\$1,372,800	100.00%	\$1,544,400	100.00%
EXPENSES										
Staff Costs										
Salaries	\$386,100	50.00%	\$494,208	48.00%	\$540,540	45.00%	\$590,304	43.00%	\$648,648	42.00%
Payroll Taxes	\$36,293	4.23%	\$43,552	4.23%	\$50,811	4.23%	\$58,069	4.23%	\$65,328	4.23%
Employee Benefits	\$12,870	1.50%	\$15,444	1.50%	\$18,018	1.50%	\$20,592	1.50%	\$23,166	1.50%
Staff Training	\$3,861	0.45%	\$4,633	0.45%	\$5,405	0.45%	\$6,178	0.45%	\$6,950	0.45%
Misc Staff Costs	\$2,746	0.32%	\$3,295	0.32%	\$3,844	0.32%	\$4,393	0.32%	\$4,942	0.32%
Total Staff Costs	\$441,870	51.50%	\$561,132	54.50%	\$618,618	51.50%	\$679,536	49.50%	\$749,034	48.50%
Program Costs										
Food Costs	\$42,900	5.00%	\$51,480	5.00%	\$60,060	5.00%	\$68,640	5.00%	\$77,220	5.00%
Paper Products	\$5,920	0.69%	\$7,104	0.69%	\$8,288	0.69%	\$9,472	0.69%	\$10,656	0.69%
Cleaning and Supplies	\$7,636	0.89%	\$9,163	0.89%	\$10,691	0.89%	\$12,218	0.89%	\$13,745	0.89%
Program/Educational Supplies	\$14,071	1.64%	\$16,885	1.64%	\$19,700	1.64%	\$22,514	1.64%	\$25,328	1.64%
Advertising/Marketing	\$13,385	1.56%	\$16,062	1.56%	\$18,739	1.56%	\$21,416	1.56%	\$24,093	1.56%
Vehicle Expense	\$2,831	0.33%	\$3,398	0.33%	\$3,964	0.33%	\$4,530	0.33%	\$5,097	0.33%
Vehicle Lease	\$0	0.00%	\$0	0.00%	\$0	0.00%	\$0	0.00%	\$0	0.00%
Dues and Subscriptions	\$3,175	0.37%	\$3,810	0.37%	\$4,444	0.37%	\$5,079	0.37%	\$5,714	0.37%
Field Trip Costs	\$0	0.00%	\$0	0.00%	\$0	0.00%	\$0	0.00%	\$0	0.00%
Misc Program Costs	\$1,459	0.17%	\$1,750	0.17%	\$2,042	0.17%	\$2,334	0.17%	\$2,625	0.17%
Total Program Costs	\$91,377	10.65%	\$109,652	10.65%	\$127,928	10.65%	\$146,203	10.65%	\$164,479	10.65%
Building Costs										
Rent	\$180,180	21.00%	\$180,180	17.50%	\$180,180	15.00%	\$180,180	13.13%	\$180,180	11.67%
R & M General	\$20,420	2.38%	\$20,420	1.98%	\$20,420	1.70%	\$20,420	1.49%	\$20,420	1.32%
R & M Supplies	\$7,087	0.83%	\$7,087	0.69%	\$7,087	0.59%	\$7,087	0.52%	\$7,087	0.46%
R & M Floors	\$9,489	1.11%	\$9,489	0.92%	\$9,489	0.79%	\$9,489	0.69%	\$9,489	0.61%
R & M Lawn	\$7,447	0.87%	\$7,447	0.72%	\$7,447	0.62%	\$7,447	0.54%	\$7,447	0.48%
R & M Security	\$2,523	0.29%	\$2,523	0.25%	\$2,523	0.21%	\$2,523	0.18%	\$2,523	0.16%
Equipment Rental	\$0	0.00%	\$0	0.00%	\$0	0.00%	\$0	0.00%	\$0	0.00%
Utilities	\$12,472	1.45%	\$12,472	1.21%	\$12,472	1.04%	\$12,472	0.91%	\$12,472	0.81%
Insurance	\$20,781	2.42%	\$20,781	2.02%	\$20,781	1.73%	\$20,781	1.51%	\$20,781	1.35%
Property Taxes	\$8,842	1.03%	\$8,842	0.86%	\$8,842	0.74%	\$8,842	0.64%	\$8,842	0.57%
Telephone	\$4,444	0.52%	\$4,444	0.43%	\$4,444	0.37%	\$4,444	0.32%	\$4,444	0.29%
Total Building Costs	\$273,686	31.90%	\$273,686	26.58%	\$273,686	22.78%	\$273,686	19.94%	\$273,686	17.72%
Administrative Costs										
Licenses	\$4,033	0.47%	\$4,839	0.47%	\$4,191	0.35%	\$6,452	0.47%	\$7,259	0.47%
Credit Card Fees	\$2,917	0.34%	\$3,501	0.34%	\$3,000	0.25%	\$4,668	0.34%	\$5,251	0.34%
Office Supplies	\$3,175	0.37%	\$3,810	0.37%	\$3,300	0.27%	\$5,079	0.37%	\$5,714	0.37%
Postage	\$1,115	0.13%	\$1,338	0.13%	\$1,159	0.10%	\$1,785	0.13%	\$2,008	0.13%
Travel Expense	\$858	0.10%	\$1,030	0.10%	\$892	0.07%	\$1,373	0.10%	\$1,544	0.10%
Total Admin Costs	\$12,098	1.41%	\$14,517	1.41%	\$12,542	1.04%	\$19,356	1.41%	\$21,776	1.41%
Total Costs	\$819,031		\$958,988		\$1,032,774		\$1,118,782		\$1,208,975	
Annual Cashflow	\$38,969	4.54%	\$70,612	6.86%	\$168,426	14.02%	\$254,018	18.50%	\$335,425	21.72%

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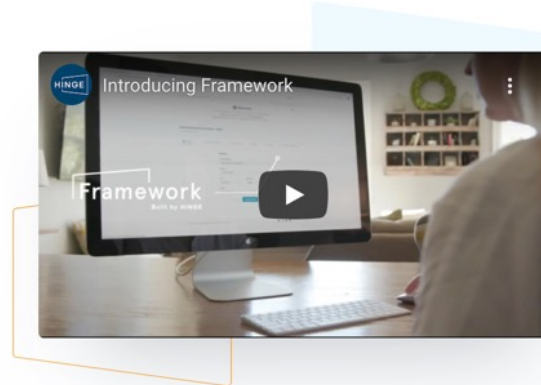
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Let's Play "What If?"



See how your school compares. Use our financial benchmarking tool.

Discover where you stand against similar schools in powerful financial positions.*



Get Your Free Assessment

All you'll need is some basic info about your location. Your data is never shared. If your program does not follow these criteria, contact support at support@frameworkbyhinge.com.

Tuition Billing Period

Average Weekly Tuition ⓘ

Licensed Capacity ⓘ

Current Occupancy (EST) ⓘ

[View Results >](#)

* Our data model has been in development since 1986 from studying many educational organizations with healthy financial practices, along with their typical expense items and related standard costs, making adjustments as the industry changes. This model is indicative of a single school with a market rate Director and no owner expenses or outside services such as accounting or legal, and no financing charges.

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HINGE's Strategies to Cut Expenses and Overcome Higher Staffing and Overtime Costs

- Needle in the Haystack
- Speak to Every Vendor and Get at Least 3 New Quotes
- When giving raises to staff, keep in mind your goal is to develop your team. Use Career Ladders to encourage goal setting and individual improvement.
- Engage with Parents, Staff and Your Community for Sourcing Contributions, Donations and In-Kind Support

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Inflation

- Tracking inflation since February:
Feb '22 ... 7.9% July '22 ... 8.25% Sept '22 ... 8.3%
- Engage transparently with parents when raising rates.
- Consider a parent survey to understand what they truly need.
 - Pro-Tip: Use a survey to answer questions as well as to ask questions.
- Use phrases like... “We are good stewards of your tuition dollars and grant funds,” “We will charge what it costs to provide quality care,” “Our first priority is (safety, training, child and staff health, etc.)”

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Revenue Considerations

- Critical to Increase Tuition to Cost of Care
- Use Grants for Short-Term Fixes
- Eliminate Family Discounts (Consider Swapping for Staff Child Care Discounts)

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Exercise Intentional Stewardship When Spending Grant and Tuition Dollars

- Deferred Maintenance
- Flooring
- LED Lighting to Replace Fluorescent
- Insulation Replaced (Energy Tax Credit)
- Invest in Staff Training & Professional Development
- Look for Growth Opportunities
- Classroom Furniture, Carpets and Learning Materials
- Kitchen & Cabinet Surfaces
- Roofing
- Signage
- Security Systems / Cameras
- Playground Structures
- Water Heaters

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10 Ways to Increase the Value of Your School

- #10 Increase Your Licensed Capacity
- #9 Expand Your Facility
- #8 Be 80-90% Full to Capacity
- #7 Add Serious (and Thoughtful) Sizzle
- #6 Increase Tuition at Least 3-5% Annually
- #5 Remove Discounts
- #4 Remodel/Rebrand/Refresh Every 8 Years
- #3 Utilize Platforms for Financial Tracking and Communications
- #2 Automate Marketing and Hiring
- #1 Work Your Way Out of a Job

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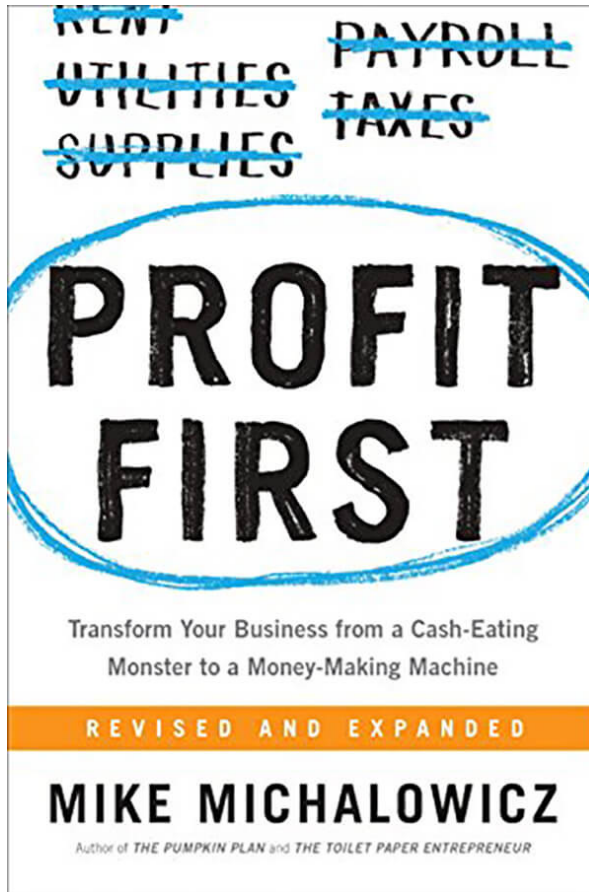
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Innovative Ways to Increase Value

- Add intentional sizzle—especially if enrollment is strong.
- Fine-tune or pivot your philosophy (ex. Reggio).
- Add additional income streams.
- Renovate and rebrand.
- Add outdoor classrooms.
- Develop community partnerships.
- "Zig when they zag."
- Use pricing as a strategy if under-enrolled.

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“A financially healthy company is a result of a series of small daily financial wins, not one big moment. Profitability isn’t an event; it’s a habit.”

- MIKE MICHALOWICZ

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Questions?

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Maximize Your Value With A Childcare Transaction Advisor.



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