

# **Effective Business Planning Procedures**

by  
Saint Francis University  
Small Business Development Center  
PO Box 600  
Loretto, Pennsylvania 15940

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## **FOREWORD**

This booklet is intended to be used as a proposed format for a business plan. It is divided into three sections.

1. The first section (pages 3-7) is an outline which contains sample questions used to examine prospective ventures.
2. Section two (pages 8-27) contains an example of a business plan used by the Little Rascal Day Care to obtain financing.
3. The third section (pages 28-29) consists of helpful hints once the business plan is complete.

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# INTRODUCTION

## THE BUSINESS PLAN

Your plan is a reflection of you and your ability to organize, to think, to manage and to communicate. In the eyes of a banker or venture capitalist - one who may invest his money in your new enterprise - it demonstrates on paper your potential ability to compete in the business arena.

Developing and maintaining a successful business requires planning. In some cases it may only be a concept in the entrepreneur's mind. A written business plan can be an invaluable tool that the entrepreneur can use to identify and exploit opportunities. It is also helpful in anticipating problems and developing strategies for avoiding or minimizing those problems.

The form and content of a business plan will vary with each business and with the intended use. The main purpose of the business plan is not to impress outsiders, but to force the business owner to think through certain aspects of starting a business. Think through them so completely that they can commit them to paper.

As you consider the time and energy that must go into the process of planning, remember the old adage: "*businesses don't plan to fail, they just fail to plan.*"

Your business plan will also serve as your financing proposal. This document is required by the lending community in order to obtain the necessary financing to start or expand your business.

Good intentions are only a part of the formula; knowing **what** to plan, **when** to plan, and **how** to plan will better prepare you for successful business ownership. The following outline will guide you through the basics of good planning

# **WHY PLAN**

## **FIVE MAJOR REASONS FOR WRITING A BUSINESS PLAN**

1. Forces you to look at your business in its entirety.
2. Plan becomes a tool to manage your business.
3. Demonstrates to others your goals and objectives.
4. Provides a basis for your financing proposal.
5. Creates a yardstick by which you may measure and evaluate changes.

## **IMPORTANT RULES TO FOLLOW**

**WRITE THE PLAN YOURSELF.**

**USE THE PLAN YOU HAVE WRITTEN.**

**SUGGESTED OUTLINE OF BUSINESS PLAN REQUIRING FINANCING**

The following outline corresponds to the actual  
Business plan found on pages 8-27

COVER SHEET

Name of Company  
Name of Principals  
Address and Phone Number of Company

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MISSION STATEMENT

STATEMENT OF PURPOSE

DESCRIPTION OF BUSINESS

THE MARKET

Industry Overview  
Market Definition  
Competitive Analysis  
Marketing Strategy

LOCATION

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Resources

OPERATIONAL PLAN

FINANCIAL PLAN

Application & Expected Effects of Loan  
Three Year Projected Financial Statements  
Explanation of Projections  
Personal Financial Statement

SUPPORTING DOCUMENTS

(sample)

TRAFFIC STUDIES

RESUMES OF THE PRINCIPALS

CONTRACTOR'S QUOTE

INSURANCE QUOTE

LETTERS OF INTENT

FIXTURES, FURNITURE & EQUIPMENT ESTIMATES

VISITATION STATISTICS

COST ESTIMATES

LEASE AGREEMENT

SITE MAP

## A. MISSION STATEMENT

Your MISSION is what you intend to become or accomplish. A well written mission statement demonstrates that you understand your business, have defined your unique focus, and can articulate your objectives clearly and concisely to yourself and others.

If you do not have a mission statement yet, you may want to complete the other parts of your plan and THEN write your mission statement. This way you will be armed with all the necessary information.

## B. STATEMENT OF PURPOSE

1. The purpose of the business is to provide...
2. Who is borrowing the money (individuals, business, etc.), how much are you borrowing, what will the funds be used for (real estate, equipment, inventory, working capital, etc.)? (if applicable)
3. Specific request of the plan – financing, certification, operating plan, etc.

## C. DESCRIPTION OF BUSINESS

1. Type (manufacturing, service, retail...) and status (start-up, expansion, etc.)
2. Legal structure of business: (sole proprietorship, partnership, corporation)
3. General overview of business to include operating hours, business background, etc.
4. Description of your product or services
  - a) What do you charge for your product or service?
  - b) What need does your product or service meet?

## D. THE MARKET

1. Industry Overview
  - a) Overall description of the industry/scope of the industry
  - b) Regional and local industry analysis
2. Market Definition



- a) Who is your target customer? What characteristics do you know about your customers (age, income, buying habits, other demographics)?
  - b) What geographic area will you serve?
2. Competitive Analysis
  - a) Who are your competitors? Where are they located? What do they sell and who do they attract?
  - b) Strengths and weaknesses of competition?
3. Marketing Strategy
  - a) How will your business capture a share of the market?
  - b) How are you going to promote your business? (price, service, quality, etc.)
  - c) What type of advertising and/or other marketing promotions will you do – when, where, how long, what’s your budget?

## E. LOCATION

1. Physical location of business
2. Describe physical features of the facility
3. Describe terms of rent or lease agreement if applicable.
4. Are any renovations necessary for location.
5. Why is this a good location? What is the location’s potential for growth (will it serve its purpose for more than three to five years)?

## F. ORGANIZATIONAL PLAN

1. Management Summary
  - a) Personal history and background of business principals (try to relate your experiences to what you are trying to do now).
  - b) Duties and responsibilities of principals (what role you will have in the company).
  - c) Why are you going to be successful?
2. Personnel Plan
  - a) Do you, or will you, have any full or part-time employees? If so, describe their functions. If not, explain how you will operate without employees.

- b) What skills and training are required?
  - c) What will employees be paid? What benefits will you offer?
3. Resources
- a) List anyone who is assisting you in starting, operating, or expanding your business. Who is your accountant, lawyer, insurance agent, banker, etc?
  - b) Will you be part of any professional organizations?

## G. OPERATIONAL PLAN

- 1. How will you get your product or service to market?
- 2. Who will be your suppliers, distributors, etc.? Do you have a backup plan?

## H. FINANCIAL PLAN

- 1. Application & Expected Effects of Loan – if applicable. How will proceeds of the loan be spent?
  - o Real estate purchase (attach legal description, appraisal, sales agreement, etc.)
  - o Renovations (attach quotes from contractors)
  - o Equipment purchases (attached detailed list including brand name, price, quantity, supplier, etc.)
  - o Working Capital (what to be used for, i.e. wages, inventory, etc.)
  - o Inventory purchases (who are suppliers?)
- 2. Three Year Projected Financial Statements
  - a) Projected Monthly Cash Flow and Annual Cash Flow Statements
  - b) Projected Annual Income Statements
  - c) Projected Annual Balance Sheet
  - d) Projected Statement of Proprietor's Capital (Retained Earnings)
- 3. Explanation of Projections

## I. SUPPORTING DOCUMENTS

**BUSINESS PLAN FOR**

**LITTLE RASCAL DAY CARE**

*Proposed by:*

Della Mason

Paul Mason

468 Moonlight Lane

Harwell, PA 16600

(814) 555-5555

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Personal Financial Statement

## **STATEMENT OF PURPOSE**

Little Rascal Day Care (Principals Della Mason and husband Paul) is seeking a loan of \$75,000 to purchase land and a building and perform necessary renovations and improvements. In addition, funds will be used to purchase day care supplies, furnishings and provide sufficient working capital. This loan will enable me to successfully expand our current day care service which is a sole proprietorship. With this expansion I will be able to accept additional students without increasing labor costs.

## **DESCRIPTION OF BUSINESS**

Little Rascal Day Care offers year round care for children ages six weeks through ten years. It has been a successful sole proprietorship for five years. The center is staffed Monday through Friday from 7:00 a.m. until 5:30 p.m.

The educational programs are staffed by trained and experienced teachers and include nursery school for toddlers and pre-school for children ages three and one half to five years. Before and after school care is offered for kindergarten and school age children.

Nutritious home cooked meals and snacks are served to all children at no additional cost to the parents. A great summer program of swimming and playing outdoors in a beautiful, spacious, fenced-in well equipped play yard is part of the program. Indoor crafts and games are planned daily. Outside activities are planned according to the weather. Activities include: picnics, stories under the shade of old trees, roller skating in the driveway, sandbox fun, gardening, playing in a cute Gingerbread Playhouse, neighborhood walks and ball games. In the fall there are hayrides and wiener roasts. In the winter children play in the snow and pull each other on sleds. In the spring children pick up litter as part of an annual Spring Clean-up Campaign. There are field trips year round, holiday celebrations and many other special events.

## **THE MARKET**

### **Industry Overview**

The demand for day care is growing in this area and is projected to continue for the next eight years. New home construction has increased by 10% with projections to continue for the next 3 years. (Figures and projections were taken from the new home

building permits issued in the Hamilton School District and the Construction Guild International.) Nearly 85% of the families in this area are two income families with this figure projected to increase to 89% by 20XX. The families in the school district have one to three children from infancy to fifth grade. Together, these facts mean that my day care services will continue to satisfy the growing needs of the families in this school district.

### **Market Definition**

The majority of my clientele are families from upper income levels. I also have families who use my services because they receive funding from a government sponsored Education and Training Program. I am enrolled in a vendor system where I receive direct payment from the government for these students.

My central location allows me to enroll children from Trag, Hamilton, Clifford, Riverdale, Pineville and Harwell. However from September to June, the school age children must be from the Hamilton School District. My new location will allow me to expand the acceptance of school age children from the Harwell Area School District. Bus transportation will be available from Harwell buses and van transportation will be available to the Hamilton School District.

Unlike many other day care centers, I provide on-going care for children from infancy through school age. In addition, I will be able to provide care for school age children from two school districts. These factors will increase my enrollment.

I have transformed my home into a school and my yard into a gigantic playground. A large percentage of my profit has been reinvested in the business in the form of teaching materials, day care supplies, equipment and furniture. My husband has supplied the day care with an abundance of wooden playground equipment, picnic tables, chairs, etc.

I currently have a dual license which allows me to accommodate 18 children plus relatives. The new facility will accommodate 24 children plus relatives. I will be able to do this without adding new staff. This will yield more income to meet the additional expenses of the new location.

### **Competitive Analysis**

There are three day care centers in this area that I consider my major competitors. They include The Kids Learning Center, Children's World and Three Stooges Day Care Center. All are located within seven miles of my new location. Additional competition comes from a number of day care group homes and family day care centers. My day care is comparable to these centers in quality, price and location.

My day care services are year round because there is also a need for summer time care for families with school age children. This enables me to keep student enrollment up even in the summer. The students enjoy coming back each summer because they have formed great relationships with me, the teachers and other children. Another advantage to accepting school age children is that families can have all of their children in one facility.

### **Marketing Strategy**

My goal is to operate a day care center for infants, toddlers and school children through age 10 with a maximum enrollment of 24 students. I will attract additional students to the new center by: 1) talking with local real estate agents, 2) giving discounts for two or more children from the same family, 3) distributing flyers in local grocery stores and in the businesses of parents of my current students and 4) advertising in local newspapers that I will accept infants.



## **LOCATION**

Little Rascal Day Care is currently operating out of my home at 468 Moonlight Lane. The proposed new facility is commercially zoned on a 2.6 acre secluded tract. It is almost entirely surrounded by woods and other natural barriers. There is a large enclosed yard and a wooded section at the back of the property. The building is a two story brick home located at the end of Monsoon Lane at the south end of Riverdale Drive and opposite Riverdale Manor.

## **ORGANIZATIONAL PLAN**

### **Management Summary**

I have always wanted to be a teacher and work with young children. I volunteered regularly as a teacher at my church throughout my high school years. I graduated from Jefferson College with a B.S. degree in Elementary Education. Since that time I have earned eleven graduate credits. I have twenty-five years of experience working as a full or part-time teacher at public and private schools in this area.

I opened my own day care in my home with one student six years ago. I currently have eighteen students, three full-time teachers and a part-time aide. I am the director of the center.

My hobby is visiting other day care or educational centers for children and networking with early childhood professionals such as day care directors and consultants. I regularly attend regional and state conferences presented by organizations to which I belong. They include the Pennsylvania Association of Child Care Agencies, the Pennsylvania Association for the Education of Young Children and the National Association for the Education of Young Children. I frequently send my employees to

workshops presented by these organizations. I also read and listen to management books and tapes. My ultimate goal is to own and manage a day care facility.

### **Personnel Plan**

Little Rascal Day Care currently employs three full-time teachers. The teachers earn \$6.00 per hour and work 40 hours per week. A part-time aide will begin work in January and will be paid \$5.25 per hour and works between 15 and 30 hours per week. I anticipate hourly wage increases when I conduct six month staff evaluations. The general maintenance is done by my husband and son. The move to 772 Monsoon Lane will give me additional space which will enable me to accommodate six additional full-time students. I will not need any additional employees until my enrollment goes beyond 24 students. I have future plans to construct a building behind the house so I will be able to accommodate additional children. I may also use my present home for any overflow students. When enrollment increases I will be prepared because there are many qualified people interested in day care work. The beginning salary ranges are between \$5.25 and \$6.00 per hour. Fringe benefits include lunch, snacks and \$100 per year direct reimbursement dental benefits.

### **Resources**

Little Rascal Day Care enlists the services of various professionals to assist in the operation of the business. The accounting needs are handled by Norm Pierce, C.P.A. and my attorney is Frank Chambers. The group health insurance was prepared by Walter Racine and the liability insurance is handled by Fred Klinger. For the latest information and trends in day care I can contact Pennsylvania Child Care Consultants or my

professional network of owners and managers of day care centers throughout the state of Pennsylvania. My contact person for meal reimbursement and other day care concerns is Max Clavin of the Pennsylvania Educational Management Association. I also receive business counseling from the Saint Francis University Small Business Development Center.

## **OPERATIONAL PLAN**

The new location has two baths and kitchens and an abundance of storage cupboards, closets and storage shelves. These features are important for a day care operation. The kitchens will make preparing meals more convenient since breakfast, lunch and a snack are provided. The extra refrigerator can be used to store a daily supply of infant formula. The two kitchen sinks, in addition to the bathroom sinks, will be a convenient source of running water for hand washing at diaper changing time. The major renovations include new carpeting and linoleum throughout the building, the removal of a flue and wood burner, the installation of electric heat in the garage area and the relocation of kitchen cupboards.

## FINANCIAL PLAN

### APPLICATION AND EXPECTED EFFECT OF LOAN

The \$75,000 will be used as follows:

Purchase of property at 772 Monsoon Lane (See appraisal and deed)	\$ 55,000
Installation of new carpet and linoleum (See contractor's quote)	\$ 7,500
General repairs and renovations (See contractor's quote)	\$ 4,000
Painting and wallpapering (See itemized supplies estimates)	\$ 2,000
Infant and toddler supplies and furnishings (See itemized supplies estimates)	\$ 2,500
Working Capital	\$ 4,000
<b>TOTAL</b>	<u>\$ 75,000</u>

**LITTLE RASCAL DAY CARE  
ANNUAL BALANCE SHEET PROJECTIONS  
FOR THE PERIOD ENDING**

	<u>At Closing</u>	<u>End Year 1</u>	<u>End Year 2</u>	<u>End Year 3</u>
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash	\$ 4,000	\$ 12,143	\$ 25,572	\$ 42,665
Supplies	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500
<b>TOTAL CURRENT ASSETS</b>	\$ 6,500	\$ 14,643	\$ 28,072	\$ 45,165
Fixed Assets	\$ 68,500	\$ 68,500	\$ 68,500	\$ 68,500
Less Accumulated Depreciation		\$ (2,400)	\$ (4,800)	\$ (7,200)
<b>NET FIXED ASSETS</b>	\$ 68,500	\$ 66,100	\$ 63,700	\$ 61,300
<b>TOTAL ASSETS</b>	\$ 75,000	\$ 80,743	\$ 91,772	\$ 106,465
<b>LIABILITIES AND NET WORTH</b>				
<b>CURRENT LIABILITIES</b>				
Bank Loan	\$ 4,600	\$ 5,082	\$ 5,615	\$ 6,202
<b>LONG-TERM LIABILITIES</b>				
Bank Loan	\$ 70,400	\$ 65,318	\$ 59,703	\$ 53,501
<b>TOTAL LIABILITIES</b>	\$ 75,000	\$ 70,400	\$ 65,318	\$ 59,703
<b>NET WORTH</b>	\$ -	\$ 10,343	\$ 26,454	\$ 46,762
<b>TOTAL NET WORTH</b>	\$ -	\$ 10,343	\$ 26,454	\$ 46,762
<b>TOTAL LIABILITIES AND NET WORTH</b>	\$ 75,000	\$ 80,743	\$ 91,772	\$ 106,465

## **EXPLANATION TO BALANCE SHEET**

Educational Supplies - Includes books, tapes, records, videos, toys, games, puzzles and day care supplies.

Teaching Supplies - Includes books and general office supplies.

Playground Equipment - Includes playhouse, swings and swing set, train, hay wagon, sandbox and miscellaneous outdoor toys.

Furniture - Includes shelves, chairs, tables, cribs, high chairs, bench, rockers, picnic tables, etc.

Electronic Equipment - Includes turntable, cassette player, receiver and VCR.

Miscellaneous Equipment - Includes fence, fans, heaters, etc.

Copier - owed to ABC Office Equipment. Will be paid off in six months.

**LITTLE RASCAL DAY CARE  
ANNUAL CASH FLOW PROJECTIONS  
FOR THE PERIOD ENDING:**

	<u>LOAN CLOSING</u>	<u>End Year 1</u>	<u>End Year 2</u>	<u>End Year 3</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Net Income	\$ -	\$ 16,343	\$ 22,111	\$ 26,308
Add: Depreciation & Amortization	\$ -	\$ 2,400	\$ 2,400	\$ 2,400
(Inc) Dec in Prepaid Expenses	\$ -	\$ -	\$ -	\$ -
(Inc.) Dec. in Inventory	\$ -	\$ -	\$ -	\$ -
(Inc) Dec in Other Assets	\$ (16,000)	\$ -	\$ -	\$ -
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>\$ (16,000)</b>	<b>\$ 18,743</b>	<b>\$ 24,511</b>	<b>\$ 28,708</b>
<u>INVESTING ACTIVITIES</u>				
Purchase of fixed assets	\$ (55,000)	\$ -	\$ -	\$ -
<b>TOTAL FROM INVESTING ACTIVITIES</b>	<b>\$ (55,000)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>				
Receipt of Long Term Debt	\$ 75,000	\$ -	\$ -	\$ -
Payment of Long Term Debt - Bank Loan	\$ -	\$ (4,600)	\$ (5,082)	\$ (5,615)
Closing Costs	\$ -	\$ -	\$ -	\$ -
Owner's Draw	\$ -	\$ (6,000)	\$ (6,000)	\$ (6,000)
<b>TOTAL FROM FINANCING ACTIVITIES</b>	<b>\$ 75,000</b>	<b>\$ (10,600)</b>	<b>\$ (11,082)</b>	<b>\$ (11,615)</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>\$ 4,000</b>	<b>\$ 8,143</b>	<b>\$ 13,429</b>	<b>\$ 17,093</b>
<b>CASH BALANCE BEGINNING</b>	<b>\$ -</b>	<b>\$ 4,000</b>	<b>\$ 12,143</b>	<b>\$ 25,572</b>
<b>CASH BALANCE ENDING</b>	<b>\$ 4,000</b>	<b>\$ 12,143</b>	<b>\$ 25,572</b>	<b>\$ 42,665</b>

LITTLE RASCAL DAY CARE  
MONTHLY CASHFLOW PROJECTIONS

	Nov	Dec	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Total
1. Cash on Hand	\$ 4,000.00	\$ 4,233.00	\$ 4,466.00	\$ 4,744.00	\$ 5,523.00	\$ 6,587.00	\$ 7,001.00	\$ 7,965.00	\$ 8,979.00	\$ 9,626.00	\$ 10,573.00	\$ 11,396.00	-
2. Gross Receipts													
a. Tuition	\$ 6,000.00	\$ 6,000.00	\$ 6,900.00	\$ 6,900.00	\$ 7,500.00	\$ 7,500.00	\$ 7,500.00	\$ 7,500.00	\$ 8,000.00	\$ 8,000.00	\$ 8,000.00	\$ 8,000.00	\$ 87,800.00
b. Meal Reimburse.	\$ 800.00	\$ 800.00	\$ 840.00	\$ 840.00	\$ 875.00	\$ 875.00	\$ 875.00	\$ 875.00	\$ 950.00	\$ 950.00	\$ 950.00	\$ 950.00	\$ 10,580.00
Total Gross Receipts	\$ 6,800.00	\$ 6,800.00	\$ 7,740.00	\$ 7,740.00	\$ 8,375.00	\$ 8,375.00	\$ 8,375.00	\$ 8,375.00	\$ 8,950.00	\$ 8,950.00	\$ 8,950.00	\$ 8,950.00	\$ 98,380.00
3. Total Cash Available	\$ 10,800.00	\$ 11,033.00	\$ 12,206.00	\$ 12,484.00	\$ 13,898.00	\$ 14,962.00	\$ 15,376.00	\$ 16,340.00	\$ 17,929.00	\$ 18,576.00	\$ 19,523.00	\$ 20,346.00	\$ -
4. Cash Paid Out													
Operating Expenses													
a. Wages	\$ 2,880.00	\$ 2,880.00	\$ 3,188.00	\$ 3,188.00	\$ 3,500.00	\$ 3,500.00	\$ 3,500.00	\$ 3,500.00	\$ 3,972.00	\$ 3,972.00	\$ 3,972.00	\$ 3,972.00	\$ 42,024.00
b. Payroll Taxes	\$ 576.00	\$ 576.00	\$ 638.00	\$ 638.00	\$ 700.00	\$ 700.00	\$ 700.00	\$ 700.00	\$ 794.00	\$ 794.00	\$ 794.00	\$ 794.00	\$ 8,405.00
c. Advertising	\$ 50.00	\$ 50.00	\$ 75.00	\$ 75.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 125.00	\$ 100.00	\$ 75.00	\$ 800.00
d. Insurance/Liability	\$ -	\$ -	\$ 300.00	\$ -	\$ -	\$ 300.00	\$ -	\$ -	\$ 300.00	\$ -	\$ -	\$ 300.00	\$ 1,200.00
e. Insurance/Health	\$ 300.00	\$ 300.00	\$ 300.00	\$ 300.00	\$ 300.00	\$ 300.00	\$ 300.00	\$ 300.00	\$ 300.00	\$ 300.00	\$ 300.00	\$ 300.00	\$ 3,600.00
f. Daycare Supplies	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00	\$ 240.00
g. Accounting/Legal	\$ -	\$ -	\$ 200.00	\$ -	\$ -	\$ 200.00	\$ -	\$ -	\$ 75.00	\$ -	\$ 75.00	\$ -	\$ 550.00
h. Teacher Benefits	\$ 120.00	\$ 120.00	\$ 120.00	\$ 120.00	\$ 120.00	\$ 120.00	\$ 120.00	\$ 120.00	\$ 120.00	\$ 120.00	\$ 120.00	\$ 120.00	\$ 1,440.00
i. Lawn & Garden	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 150.00	\$ 100.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 125.00	\$ -	\$ 525.00
j. Electric	\$ 170.00	\$ 170.00	\$ 170.00	\$ 170.00	\$ 170.00	\$ 170.00	\$ 170.00	\$ 170.00	\$ 170.00	\$ 170.00	\$ 170.00	\$ 170.00	\$ 2,040.00
k. Cable	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 300.00
l. Garbage	\$ 30.00	\$ 30.00	\$ 30.00	\$ 30.00	\$ 30.00	\$ 30.00	\$ 30.00	\$ 30.00	\$ 30.00	\$ 30.00	\$ 30.00	\$ 30.00	\$ 360.00
m. Telephone	\$ 55.00	\$ 55.00	\$ 55.00	\$ 55.00	\$ 55.00	\$ 55.00	\$ 55.00	\$ 55.00	\$ 55.00	\$ 55.00	\$ 55.00	\$ 55.00	\$ 660.00
n. Water/Sewage	\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00	\$ 420.00
o. Office Supplies	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00	\$ 240.00
p. Property Tax	\$ 85.00	\$ 85.00	\$ 85.00	\$ 85.00	\$ 85.00	\$ 85.00	\$ 85.00	\$ 85.00	\$ 85.00	\$ 85.00	\$ 85.00	\$ 85.00	\$ 1,020.00
q. Education Expense	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 120.00
r. Household/Repairs	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ 900.00
s. Food	\$ 550.00	\$ 550.00	\$ 550.00	\$ 550.00	\$ 550.00	\$ 550.00	\$ 550.00	\$ 550.00	\$ 550.00	\$ 550.00	\$ 550.00	\$ 550.00	\$ 6,600.00
t. Depreciation	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 2,400.00
u. Interest Expense	\$ 625.00	\$ 622.00	\$ 619.00	\$ 616.00	\$ 613.00	\$ 609.00	\$ 606.00	\$ 603.00	\$ 600.00	\$ 597.00	\$ 593.00	\$ 590.00	\$ 7,293.00
v. Miscellaneous	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ 900.00
Total Expenses	\$ 5,901.00	\$ 5,898.00	\$ 6,790.00	\$ 6,287.00	\$ 6,633.00	\$ 7,279.00	\$ 6,726.00	\$ 6,673.00	\$ 7,611.00	\$ 7,308.00	\$ 7,429.00	\$ 7,501.00	\$ 82,037.00
Less:													
Principal	\$ 366.00	\$ 369.00	\$ 372.00	\$ 375.00	\$ 378.00	\$ 382.00	\$ 385.00	\$ 388.00	\$ 391.00	\$ 395.00	\$ 398.00	\$ 401.00	\$ 4,600.00
Owner's Draw	\$ 500.00	\$ 500.00	\$ 500.00	\$ 500.00	\$ 500.00	\$ 500.00	\$ 500.00	\$ 500.00	\$ 500.00	\$ 500.00	\$ 500.00	\$ 500.00	\$ 6,000.00
Total Cash Paid Out	\$ 6,767.00	\$ 6,767.00	\$ 7,662.00	\$ 7,162.00	\$ 7,511.00	\$ 8,161.00	\$ 7,611.00	\$ 7,561.00	\$ 8,502.00	\$ 8,203.00	\$ 8,327.00	\$ 8,402.00	\$ 92,637.00
Add Depreciation	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 2,400.00
5. Cash Position	\$ 4,233.00	\$ 4,466.00	\$ 4,744.00	\$ 5,523.00	\$ 6,587.00	\$ 7,001.00	\$ 7,965.00	\$ 8,979.00	\$ 9,626.00	\$ 10,573.00	\$ 11,396.00	\$ 12,143.00	\$ -



## EXPLANATION TO CASH FLOW PROJECTIONS

### STANDARD TUITION RATES

Rates to June 30	Rates from July
6 Wks - 18 Mon \$75/Wk	\$80/Wk
18 Mon - 3 yrs \$70/Wk	\$75/Wk
3 yrs up \$65/Wk	\$70/Wk
Before/After School Care - \$2 per hour or weekly fee.	

For projection purposed I am assuming all children will fall in the 18 months to 3 year category and will pay an average of \$75 per week until June 30 and \$80 per week starting July 1.

I am basing my numbers on my experience in the day care field and on the past performance of the Little Rascal Day Care. These factors, along with additional marketing and the new location, make these figures very attainable.

### MEAL REIMBURSEMENT base on receiving:

Breakfast	- \$0.785 per each one served
Lunch	- \$1.42 per each one served
Snack	- \$0.425 per each one served

**WAGES** - November & December are based on three full-time teachers @ \$6.00 per hour working 40 hours per week. During January and February a part-time aid will be added. He/she will be paid \$5.25 per hour and work 15 hours per week. During March, April, May and June the hours for the aid will be increased to 30 hours per week. The months of July, August, September and October will include hiring an additional part-time aid @ \$5.25 per hour working an average of 23 hours per week.

**PAYROLL TAXES** - Based on 20% of wages.

**INSURANCE** - Includes liability and health coverage. Insurance in handled by the World Wide Insurance Company.

**TEACHER BENEFITS** - Additional benefits that are not covered through health insurance. These benefits have yet to be specifically determined.

**FOOD** - Based on purchases necessary to serve breakfast, lunch and snacks.

**INTEREST AND PRINCIPAL** - Based on a loan of \$75,000 at 10% for 10 years.

**OWNER'S DRAW** - Based on taking \$500 per month for personal use. This amount may vary depending on business. Mr. Mason earns enough money to pay all of the family living expenses.

# RECOMMENDATIONS AND TIPS

1. Complete your business plan and financial statements, then:
  - a) Contact loan officer, drop package off, and give him/her time to review it.
  - b) Arrange a meeting.
2. Aim the package at what the lender wants to know because lending decisions are based on understanding a company's value.
3. Remember - the banker's position is two-fold:
  - a) To loan money
  - b) Only make loans that will be repaid (therefore - accurate, detailed, documented/supported information is needed.)
4. Do not ask for more than is needed on the assumption that it will get cut down.
5. Do not ask for less than is needed on the assumption that it will be easier to secure. When you are unable to pay your debt later, it will be more difficult to secure more financing.
6. When you see your banker, you should be able to answer five questions within the first two minutes.
  - a) *How much money do you want?*
  - b) *How long do you want it for?*
  - c) *What are you going to do with the money?*
  - d) *How are you going to repay the loan?*
  - e) *Alternate source of repayment if plan "A" goes wrong.*
7. Review the Bankers five C's of Credit:

Character	- You
Capital	- Your net worth
Capacity	- Earnings
Conditions	- What's going on?
Collateral	- What are you pledging?
8. Pick your bank carefully. Perform comparison shopping among banks - interest rates and points vary considerably.
9. Be prepared to personally guarantee your loan by placing personal assets as collateral (i.e. your home, stocks, etc.). Your banker will take a risk only if you are willing to take a risk.

## **FINAL ANALYSIS**

1. Do your homework, and get assistance where needed.
2. Make a professional presentation.
3. Offer candid analysis - tell the bad as well as the good, your banker is more influenced by what he/she dislikes than what he/she likes. Explain how you plan to address your weaknesses.
4. Understand your banker's position.

### **Create Confidence**

**Remember, you are selling yourself and your business.**