

**A WORKBOOK
ON
FINANCIAL SUSTAINABILITY
FOR
CHILD CARE
ORGANIZATIONS**

Prepared By

**Vancouver Child Care Regional Delivery
Models Pilot Project**

January, 1999

Jointly Funded Through The Canada/British Columbia Strategic Initiative Program By Human Resources Development Canada And The Ministry For Children And Families

PREFACE

Sustaining child care programs is a complex challenge.

It means making balanced decisions regarding the needs of children and families; revenues and expenditures; program quality and efficiencies; location and facilities; staff qualifications, training, schedules, and salaries; and wider community interests.

During 1997 and 1998, the Vancouver Child Care Regional Delivery Models Pilot Project (VCCRDMPP) carried out preliminary studies of the financial sustainability issues in selected Infant/Toddler, Group 3-5, and School Aged child care programs operated by non-profit organizations in the City of Vancouver. The objective of these studies included the creation of a common financial framework for looking at costs and revenues of diverse child care programs, and learning about effective financial sustainability strategies. Reports on these studies are referenced in the final section on Further Resources.

This workbook is the next stage in VCCRDMPP's financial sustainability work. It has been designed to provide a user-friendly approach for child care organizations to gather financial and other related information, assess financial strengths and weaknesses, and develop concrete actions to improve financial sustainability.

What do we mean by financial sustainability? Why is it important? Who should care? Is financial sustainability in child care an oxymoron? These are some of the questions that this workbook will help you answer.

Financial sustainability is complex. The following statements are examples of what an organization's financial sustainability goals for child care might look like.

- *For each of our child care programs, the direct revenues (for example: fees and government grants) will cover the direct costs (for example: salaries and building occupancy) on an annual basis.*
- *Overall, our child care programs will show an annual profit of 10% of total revenues, based on financial statements that reflect the full revenues and costs for each program. This profit or surplus will be used to generate reserves for the future and support special initiatives within child care.*
- *Over a period of five years, all of our child care programs will break even after all administrative costs have been allocated.*
- *Overall, the level of our organization's subsidies to our child care programs will be reduced by 10% annually until the programs break even.*

The VCCRDMPPP preliminary financial sustainability studies confirmed that organizations define costs and revenues associated with their child care programs in many different ways. We also know that each organization will define its child care financial sustainability goals within a unique context, and that these goals may change over time. All of this means that this workbook will need to be adapted to each organization's context and challenges.

Why should we care about financial sustainability? There are many possible answers. Here are some examples.

- *To state the obvious, without revenues to cover costs, over the longer term our organizations will not survive. Within organizations, programs that cannot cover their costs are generally at greater risk than those that can.*
- *We have a responsibility to both current and future families, and to our local communities, to ensure that needed and effective child care programs survive.*
- *Within any program, at some point there will be unforeseen financial costs (for example: a major increase in rent, facility repairs, or a severance package for an employee). Our financial reserves should be healthy enough to cover these circumstances.*
- *Many organizations want to enhance their child care programs, improving quality and responsiveness to children's needs, and extending supports to parents. They need resources to do so, and increased revenues to bring about these changes.*
- *We have a responsibility to our staff to ensure that their wages and benefits are fair. This takes money.*
- *Some of our revenues are vulnerable. We may not acquire gaming funds next year. Enrolments fluctuate. We need a financial plan that is more robust, with contingencies built in.*
- *The current level of financial support that our organization provides to our child care programs is not sustainable.*
- *We may need to consider closing some child care programs that are not financially sustainable, in order to protect others.*

This workbook has been developed with the support of many people in the child care field; and, particularly the members of the Vancouver Child Care Regional Delivery Models Pilot Project. Materials have been gathered from diverse sources. Numerous people have provided constructive feedback on the workbook. The illustrations were done by Caitlin Perryman.

Linked to each section, we have created a series of stories, each a chapter in the financial sustainability planning process for Evergreen Community Services' child care programs. Evergreen Community Services is a multi-service agency, offering six different child care programs. Reading the stories is another way of imagining what financial sustainability might be all about.

Organizations in the child care field are all different. The ideas presented in each section, and in the stories, are meant to be illustrative of what you might consider in designing and implementing your own financial sustainability planning processes.

Our hope is that the workbook will provide ideas, questions, and processes that you will find useful.

Lynell Anderson
Principal Consultant
Westcoast Child Care Resource
Centre

Gavin Perryman
Gavin Perryman
& Associates

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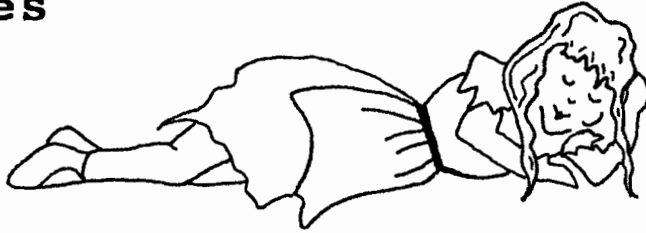
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Evergreen Community Services



The alarm rang, Tuesday morning, 6:30, awakening Jennifer Larkin from a disturbing dream. A building was burning, and she had entered it to make sure that all of the people were out safe. Jennifer shook her head, still shaky. Maybe it was just a reflection of today's lunch meeting with the Fire Chief. But, after days of waking up in the middle of the night with work anxieties, and surfacing in the early mornings with strange dreams, Jennifer knew that her stress levels were rising.

In the dark, she lay back and reflected on the conversation she needed to have with Pat Brooks, the Fire Chief. There were some minor upgrades needed at the Walrus 3-5 year old Child Care Centre and the Mock Turtle Preschool, easily achievable within the current operating budget for 1998/99. The real problem was the City's new fire regulations.

Evergreen Community Service's plant manager had estimated that the complete renovations to meet the fire regulations would require \$ 150,000. That kind of capital money was just not easily available. Jennifer hoped that Pat Brooks could help her negotiate her way through the City's labyrinths. He was an ally, a parent of a 12 year old in Evergreen's school-aged child care program.

The challenge wasn't just with the City. Jennifer knew she had to establish a good working relationship with Sally Hamilton, the new child care coordinator for the Ministry for Children and Families. Without a significant increase in the Provincial grant, she couldn't see how the on-going deficit problems could be resolved in Evergreen's relatively new, Cheshire Cat, infant/toddler child care program.

On the drive into work, Jennifer thought about the meeting with the Child Care Advisory Committee, the previous evening. It had been difficult for Jennifer to create the committee as Jack Rutherford, Evergreen's Executive Director, hadn't agreed, at least at first, with the need. No other program department had one. Technically, it was Jennifer's advisory committee. But, there were Board members on it, who informally could advocate for child care at the Board level.

She had convinced Jack that it was necessary, because, at least for now, there was considerable questioning within the organization about child care services. Everyone was for them; but, let someone else run them. Some, mostly senior managers, argued that the finances were too difficult. A few were opposed to Evergreen Community Services subsidizing child care programs. Others believed that child care services were more of a business, meeting the needs of parents, but not real community services. For now, the Board was supportive.

The Child Care Advisory Committee meeting had been long and tough, but also fun. There had been a celebration of the Board's approval of the 1998/99 child care operating budget. The Board had agreed to underwrite the overall child care deficit of some \$ 20,000; but had expressed serious concerns about the on-going and, potentially, increasing, deficit.

Jennifer was wary of the assumptions that she had had to build into the 1998/99 budget: increasing the projected enrolment from 85% to 92%, consistent parent fund raising at each of the three child care centres and at the two preschool programs, and integrating the infant/toddler centre with Evergreen's new program for teenage parents.

Part of the challenge was the rapid growth in Evergreen's child care programs in the past two years. At the evening break, one of the parents on the Advisory Committee had cornered Jennifer to talk about the need for three more school-aged child care programs at the other elementary schools in Evergreen. The real challenge, however, was that costs continued to rise, and Evergreen's new salary classification system and salary grid, while fair and important for staff, was putting heavy pressure on the child care programs.

The Advisory Committee had also heard a forceful presentation from Delilah Thompson, chairperson of Evergreen Community Services' new Board/community task force on family outreach. Delilah had kept people talking for ages about the possibilities of using the day care centres in the evenings and on the weekends for family drop-in and parenting programs.

Over her first cup of coffee at her desk, Jennifer took another look at the Workbook On Financial Sustainability For Child Care Organizations she had just received. Perhaps, it was time to initiate a longer term financial planning process for Evergreen's child care programs. It might be a more creative and effective way of looking at the challenges. It could also help to bring parents, Board members, and other senior managers on side.

1.

HOW TO USE THE WORKBOOK

There is no magic answer for ensuring financial sustainability in child care programs. Different organizations have successfully discovered their own solutions.

What all these organizations have in common is that they pay serious and on-going attention to financial planning, budgeting, and monitoring.

1.1 Introduction

This workbook provides a guide to implementing a financial planning process for the child care programs in your organization. It could be used to look at a specific child care program; or, at your child care programs as a whole. It could be used in an organization that is totally focused on child care, or in a multi-service agency.

It does not provide the answers for you. It is not a textbook. Rather, it is meant to help you assess the financial strengths and weaknesses of your child care programs, and develop concrete action plans that will make a difference to the longer term financial sustainability of your child care programs. The workbook provides ideas, questions, suggestions, and sample worksheets that you can use. The Appendices offer further information that you might find useful.

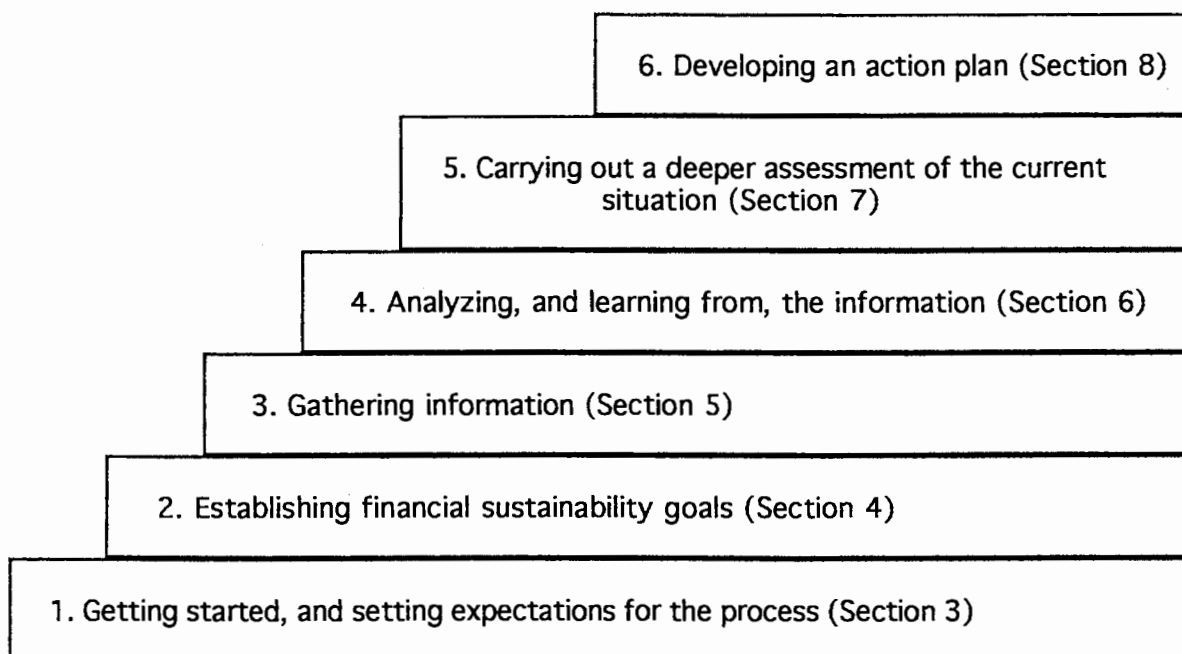
1.2 Operational And Capital Concerns

This workbook focuses on the operational side of child care programs. How do you acquire sufficient revenues to cover your annual costs of staff, programs, facilities, and administration?

Most child care organizations include some smaller capital costs in their operational budgets. Examples would be facility maintenance and minor repairs, or equipment repairs. Major capital costs are typically considered in a separate budgeting or planning process. These include, for example: buying a new building, renovating a facility, acquiring new pieces of large equipment, and, perhaps, establishing an endowment fund. Appendix I contains a checklist of issues that you need to consider if you are developing a capital financial plan.

1.3 Steps In the Financial Planning Process

The suggested planning process is simple and straightforward.



The next page presents the same planning steps as a flow chart. It is important to see it as a guide that you can adapt to your own organization. Further, it helps to see financial sustainability planning as an on-going process. The action plans lead to implementation, and then evaluation of the progress you have made in reaching your financial sustainability goals. This in turn leads to another round of financial planning.

1.4 Who Should Be Involved

*Participation leads to learning, creativity,
and commitment to action.*

Planning processes work best when participation is maximized. This helps to ensure that:

- all of the relevant information is gathered, and the major issues are identified
- parents, staff, Board members, and others have a solid understanding of the financial situation facing the child care programs; and, therefore, why certain actions need to be taken
- problem solving is as creative as possible
- people buy into the results, and the recommendations, becoming committed to the implementation processes.

FINANCIAL SUSTAINABILITY PLANNING PROCESS

Getting Started

Gathering Information

- The Past Three Years
- The Current Picture
- Financial Management Processes

Setting Financial Sustainability Goals

Analysing And Learning From The Information

Carrying Out A Deeper Assessment

- Financial Management Processes
- Financial Sustainability Strategies
- Benefits/ Costs Of Program Decisions

Rethinking The Goals

Developing Action Plans

Spend some time thinking about who needs to be involved, and how their involvement can be supported.

- A diverse group of participants, parents, staff, managers, and Board members, always helps.
- Some people have more skills, knowledge, and comfort with financial issues. Their involvement is important.
- Others will be essential to implementing the changes that emerge from the financial sustainability planning process. Their involvement is also important.

Finally, not everyone can, or will be able to be, involved.

1.5 Timing The Financial Planning Process

The planning process could be done over a number of 2-3 hour meetings, or in two one day workshops, allowing time for preparation and work in between each session.

Some organizations may find that the process takes more time, and needs to be stretched out over a year.

It is important to take the time to plan thoroughly.

Using the one day workshop format has advantages.

- Participants have time to come together as a team.
- There is more continuity in the discussions.
- It is easier to create an atmosphere that this is different from a regular meeting of the Finance Committee or the Board.

The next page contains a possible timing for the financial planning process using the workshop format.

The financial planning process should be timed so that it can help shape next year's annual budget.

Finally, the financial plan should be reviewed annually, against the financial sustainability goals, and revised as required. Once a solid financial plan is in place, it is relatively easy to maintain.

1.6 A Budget For The Financial Planning Process

Your financial planning process is going to require resources. Mostly, this will be people's time: parents, staff, managers, and Board members. It may help to time the planning process so that the intensive work, particularly that of gathering information (Section 5), occurs in a period during the year when there is more time available.

There may also be real dollar costs: for example, for flipchart materials, meetings, external expertise, and facilitation.

A SAMPLE TIMING FOR THE FINANCIAL PLANNING PROCESS

Getting Started

An evening in September

The core financial planning team

Tracking The Information

September/October

Four working subgroups

The Past Three Years
The Current Picture
Financial Management Processes
Financial Sustainability Goals

Analysing And Learning From The Information

One day workshop in October

The core financial planning team

Deepening The Analysis

October/November

Three working subgroups

Assessing Financial Management Processes
Assessing Benefits/Costs Of Program Decisions
Assessing Financial Sustainability Strategies

Developing Action Plans

One day workshop in November

The core financial planning team

1.7 Planning Principles

The workbook has been designed around some key planning principles. You should consider these as you adapt the planning process to fit your own organization.

- Participation of a diverse group of people is important (for example: parents, Board members, direct service staff, supervisors and managers). By working together in group settings, people are generally more creative. Participation is also key to people buying into the analysis, the recommendations, and the proposed actions.
- All of us walk into a planning process with perceptions of what is happening now, and what needs to be done. It is important that there be opportunities for people to share and talk about these perceptions.
- Gathering and looking at facts is also important, for reality testing our perceptions, and for ensuring that everyone is closer to a level playing field of knowledge. Spending considerable time gathering information, and talking it through, pays off in developing consensus on what are the real problems.
- Looking at what might be done to build on the financial strengths, and address the weaknesses and challenges, takes creativity. Brainstorming helps. So do informal conversations, and sleeping on the ideas.
- The planning process needs to end with concrete actions that are realistic given the resources of the organization, and that will make a real difference. It is better to agree on implementing 2-3 ideas well rather than taking on 10-12 new directions that are never quite carried out. Planning also needs to end with agreement about who has responsibility for the actions, what help they will need, and what deadlines they are working toward.
- Finally, building financially sustainable organizations cannot be done overnight. The planning process needs to focus on actions for the next year. After that, you need to come back together to evaluate what has been accomplished, and set further priorities for the following year.

1.8 Basic Elements Of Financial Planning

Effective financial planning means addressing at least the following general questions.

- *What are our current major sources of revenues? How have these changed in the past few years?*
- *Which revenue sources are secure? Which are vulnerable over the next few years?*
- *What are our major expenditure categories? How have these changed in the past few years?*
- *Where might expenditures decrease or increase over the next few years?*
- *What decisions (for example: staff salaries and benefits, program choices, staff schedules, enhanced services, and management supports) have given rise to our expenditure patterns? Are these decisions still justified today? Are they affordable?*
- *What in kind contributions are we receiving (for example: subsidized facilities and volunteers)? Will these continue? Can they be expanded?*
- *Will our child care programs require increased revenues in the future? Why?*
- *Should we close any child care programs?*
- *Are we using our current resources well? Can efficiencies be created? Can some resources be reallocated? What are other organizations doing to control expenditures?*
- *What are our revenue strengths? Can these be expanded?*
- *What are other organizations doing to create new revenue sources, or alter expenditure patterns? Do any of these fit our situation?*

You will meet these questions again in the Learning From The Information phase (Section 6) and the Action Planning phase (Section 8).

1.9 Factors Affecting Financial Sustainability In Child Care Programs

Before starting, it is also worth noting the specific factors affecting financial sustainability in child care programs that were identified in the original pilot studies done through the Vancouver Child Care Regional Delivery Models Pilot Project.

Internal Factors

- The level of fees charged to parents
- Enrolment patterns
- The ability to consolidate programs together (for example: during the summer months) to ensure high enrolments throughout the year
- Decisions regarding program quality (for example: staff schedules, staff qualifications, staff salaries, staffing levels, equipment, opening hours, ...)
- Decisions regarding program supports for children with special needs (for example: hot lunch programs)
- Decisions regarding the provision of additional program supports for families (for example: resources and education regarding the transition from child care to schools, assistance with child development issues, and offering a listening ear for family problems)
- Staff salary and benefit levels

- Decisions regarding staff training and professional development
- The stability of the staffing situation (for example: longer term staff generally cost more in terms of salaries and benefits)
- Approaches to administrative costs, and any resulting allocations of overheads
- Decisions regarding program management supports
- The capacity and the willingness of the overall organization to subsidize child care programs
- Costs of facilities (for example: rents, maintenance, and renovations).

External Factors

- The community setting, and the ability of parents to pay fees
- The level of government fee subsidies
- The availability of Provincial government operating funds such as infant/toddler incentive grants and wage supplement initiatives (now called the Compensation Contribution Program), and special needs contracts (now called Supported Child Care)
- The availability of City or municipal financial support
- The availability of government, or other organizational, financial support for management costs
- The availability of low cost facilities
- The availability of in kind contributions, including parent volunteer time

- The relevancy of the child care programs in relationship to the changing needs of parents and their children
- The opportunities for partnerships with other child care organizations.

Many of these factors are inter-related, and reflect program choices by the sponsoring organization. Some factors are affected by licensing regulations. Others by government policy.

The list is not necessarily exhaustive. You will likely discover other factors as you do your own analysis.

It may also be worthwhile paying attention to how the external factors may be changing. For example, changing demographics and housing development patterns in your community may mean that relying on local families to keep enrolment high will no longer be feasible. Marketing may be needed on a wider basis or perhaps, the child care program should be relocated.

The Vancouver Child Care Regional Delivery Models Pilot Project has published an Environmental Scan, describing changes that will have some impacts on child care programs and organizations over the next decade. This report is referenced in Appendix II on Further Resources.

You will be using these factors affecting financial sustainability further in analyzing your current situation (Section 7.3).

Evergreen Community Services



Looking over her in basket, Jennifer noticed a new memorandum from Shirley Young, Evergreen's Director of Finance.

Memorandum

TO: All Senior Staff

FROM: Shirley Young
Director of Finance

DATE: April 15, 1998

RE: 1999/2000 Budget Process

Yes, it is early folks!

We have successfully completed the development of the 1998/99 budgets. Just on time, an incredible scramble, and a tight squeeze to show an overall balanced position. The proposed fund raising goal of \$ 245,000 is a tall order compared to what we have been achieving.

But, we did it. And many thanks!

Why start so early on a budget that will not take effect for some 13 months from now?

The Finance Committee and the Board want to avoid this year's scramble. They feel, with some justification, that they did not have enough time to carefully consider our proposals. As a result, they want a draft budget for 1999/2000 ready for the November Board meeting, to reflect the results of the annual Board/management planning retreat in September.

The Board's Strategic Planning Task Force is moving in the direction of much more diverse funding, and ensuring that all departments are balanced cost centres. For 1998/99, our total revenues are projected to be \$ 2,466,000. 75% of this is coming from government, 15% from fees, and 10% from fund raising. If I understand the current thinking of the Task Force, they would like to see an overall organizational split more like 55%, 30%, and 15% respectively.

Finally, there are some very thorny on-going issues that we are going to have to resolve such as: a likely increase in the across the board administration charge to 12%, the increase in wages arising from the job classification study, and the potential decline in government grants and contracts.

I also suspect, out of the governance work that the Board is doing, that they are going to want a three year business plan for 1999/2000 to 2001/2002 as part of the budget process. This is going to be a new experience for all of us.

Let me know what training and support your department could use from us. We are happy to help, but need directions from you. Don't forget our agreement to begin to bring program supervisors more into the budgeting process.

After reading the memo, Jennifer picked up her phone to call Fraser Tam, the chairperson of the Child Care Advisory Committee. She wanted to set up an initial meeting to consider a financial planning process for the longer term for Evergreen's child care services. Fraser was a parent at one of Evergreen's two preschools, and a manager at the local credit union.

2.

DEFINING TERMS

2.1 Introduction

Many of us avoid looking at financial statements, or becoming involved in financial planning processes, because we do not understand the language. This section lays out some simple and clear definitions of the basic financial terms, particularly as they are used in this workbook, and in the worksheets.

2.2 Financial Management Terms

In order for everyone involved in the planning process to be able to discuss financial sustainability, it is helpful to define some of the most frequently used financial terms.

Here are some key terms.

Accounts Payable

These are the bills owing that have not yet been paid.

Accounts Receivable

These are the revenues that have not yet been received (for example: parent fees that are due but have not been paid).

Assets

Assets are items that an organization owns, such as cash, accounts receivable, buildings, and equipment.

Details of an organization's assets can be found in the balance sheet.

Audits

At the end of each financial year, most large non profit organizations undergo a financial audit. Professional accountants from outside of the organization are retained to review the financial processes and year end financial statements. They are charged with expressing an opinion as to whether or not the financial statements are accurate, and whether the financial processes used to prepare the statements meet professional standards.

Balance Sheets

A balance sheet is a snapshot of the organization at a specific point in time, usually each month end, and then at the end of each financial year.

A balance sheet identifies the organization's assets and liabilities.

It also identifies the dollar difference between assets and liabilities, known as the organization's reserves. There are a variety of terms to describe reserves, including net assets, accumulated surplus, and members' equity.

Budgets

A budget is an annual plan for an organization or a program, expressed in dollars.

There are usually separate budgets for operating and capital purposes. Operating budgets include all of the everyday expenditures required to run the organization, and its programs. Capital budgets include major planned expenditures for renovations, repairs, new buildings, and equipment.

There are many approaches to developing budgets (see Appendix III).

Cash And Accrual Accounting

Small non profit organizations typically use one of two approaches to accounting.

In cash accounting, revenues and expenditures are entered in the financial records only when they have been actually received or paid.

In accrual accounting, revenues and expenditures are entered in the financial records when they are owed.

Accrual accounting is now the professional standard for accounting.

Cash Flows

Recording amounts owed to us as revenue is one thing. Having sufficient cash on hand to pay bills when they become due is another. The latter is known as managing cash flows.

Endowment Funds

Some non profit organizations earn revenues from endowment funds. These capital funds are invested. The return on investments provides revenue to the organizations, while the capital amount is protected.

Deficits

An organization or a program has a deficit if the operating revenues are less than the operating expenditures for the year.

A deficit may not be a "bad" thing, if it has been planned, and if the organization has reserve funds to cover it.

Internal Controls

These are the processes that an organization uses to safeguard assets, minimize the risks of mistakes and theft, ensure the accuracy and reliability of financial information, and ensure that organizational policies are followed.

Examples include: two signatures on every cheque, matching cheques to purchase orders, checks on the accuracy of data entry, and external financial audits.

Liabilities

Liabilities are an organization's debts, such as unpaid bills, mortgages, and funds received for activities that will take place in the future (often called deferred revenues).

Details of an organization's liabilities can be found in the balance sheet.

Reserves

All non profit organizations should have reserves to "cushion" unforeseen operating requirements, and/or to set aside funds for specific future purposes such as capital requirements.

Statements Of Revenues And Expenditures

These are the monthly reports that describe what has happened financially in the last month, compared to the budget. They may also provide year to date figures, or projections for the full year.

The financial statements provide information on the monies flowing in and out of the organization. They are different from the balance sheets which describe the organization's assets and liabilities.

Larger organizations often produce several different types of financial statements to meet the different needs of program coordinators, managers, Boards, and external funders.

Surpluses

An organization or a program has a surplus if the operating revenues are more than the operating expenditures for the year.

2.3 Revenue Terms

Child care programs have some typical revenue sources. They can be grouped into broad categories of: fees, government support, and other revenues.

Here are some key terms that will help you understand Worksheets IV (page 105) and V (page 109).

2.3.1 Fees

Bursaries

Some organizations provide their own bursaries to subsidize fees.

Government Fee Subsidies

These are monies paid directly by the Provincial government on behalf of families. They help subsidize the fees families would normally be charged.

Parent Fees

These are monies paid directly by families for child care services. They also include fees for enhanced programs such as hot lunches, and late penalties, where the organization chooses to make these charges.

Special Needs Fees

These are the fees that families with a child requiring additional supports would normally pay for child care, but are provided by the Provincial government within a broader funding contract.

2.3.2 Government Support

Civic Grants

These are grants provided by the local municipality to child care programs. Not all municipalities provide such assistance.

Federal Project Grants

Some child care organizations receive funding from the federal government which contributes towards project costs on a short-term basis (for example: summer challenge grants).

Special Needs Contracts and Authorizations

This is Provincial government funding to cover the costs of caring for a child requiring additional supports (for example: staffing, program supplies, and equipment). These may change within the new Supported Child Care Program.

Wage Supplement Initiative and Infant/Toddler Incentive Grants

In the past, these provincial programs have been used to both raise staff wages and stabilize the finances of infant/toddler child care. Recently, both grants have been combined into one funding agreement called the Compensation Contribution Program (CCP), with similar objectives of raising wages and working towards affordability, accessibility, quality, and stability of child care.

2.3.3 Other Revenues

Child Care Management Contribution

This includes revenues that specifically contribute towards the costs of managing and/or administering child care programs. They might come from government, or from a public institution like a university or hospital that has child care programs as part of its operations.

These revenues could be included under government support. We have found it useful to separate them out because the costs of managing child care programs can be a significant financial sustainability factor.

Fund Raising

This includes revenues raised from special events, gaming, donations, corporate sponsorships, foundations, and other charitable organizations.

In some situations, child care programs will carry out fund raising directly. In others, fund raising is carried out by the overall sponsoring organization, and this becomes part of the internal support for the child care programs.

Other Income

Child care programs may have diverse other revenues such as interest or investment income, and membership or registration fees.

2.4 Expenditure Terms

Child care programs have some typical expenditures. They can be grouped into broad categories of: human resources, program, facilities, and administration.

Here are some key terms that will help you understand Worksheets IV (page 105) and V (page 109).

2.4.1 *Human Resources*

Child care programs have staff who work directly with children, provide hot lunches, drive buses, and carry out administrative duties.

In Worksheets IV (page 105) and V (page 109), we have consciously chosen to include, within human resource expenditures, only those costs that relate to staff whose main role is to provide direct service to children. This includes staff who have less than five hours per week of administrative duties, and a proportional share of the costs of staff who have broader administrative duties, but are also still "on the floor". Other staffing costs have been included under programs (for example: cooks), facilities (for example: janitors), and administration (for example: child care administrators). We have done this so that it is easier to look at the basic costs of running the child care program.

Benefits

This includes both the employer's share of mandatory benefits (for example: C.P.P., E.I., and W.C.B.) as well as the employer's contribution to any organizational benefit plans (for example: medical insurance, life insurance, and pensions).

Professional Development

This includes fees for courses, workshops, and speakers for staff development.

Salaries

These are the wages of all staff (full-time, part-time, substitutes, and overtime) whose main role is to provide direct service to children.

2.4.2 Program

Program costs include food, arts & crafts supplies, toys and small equipment, field trips, and transportation. As suggested earlier, it is easier to include related staff salaries and benefits (for example: cooks) in program costs. This is based on the experience of the earlier financial sustainability studies conducted by VCCRDMPP.

2.4.3 Facilities

Maintenance and Janitorial

This includes all costs related to cleaning the facilities (including janitorial staff salaries, where appropriate) and cleaning supplies. It also includes routine, non-capital repairs and maintenance, as well as alarm monitoring or other security costs.

Rent/Mortgage

This includes the actual rent paid for the use of the child care facilities, or the share of mortgage costs specifically related to the child care facilities.

Utilities

This includes building related costs such as taxes, heat, light, and water.

2.4.4 Administration

Child Care Management

This includes the portion of salaries and benefits of child care supervisors that relate to their administrative duties. It is easier to restrict these to those child care supervisors who dedicate five or more hours per week to administrative duties. This is based on the earlier sustainability studies conducted by VCCRDMPP.

There may also be administrative or management staff directly related to the child care programs. Their salaries and related costs belong in the child care management category.

Office

This includes items such as office supplies, equipment maintenance, telephone, postage and photocopying.

Overall Administration

This includes all costs (for example: accounting, audit, program and human resource management, and insurance) that are carried by the overall organization, but are related to managing and administering the child care programs.

These overall administrative costs are often charged against all of the organization's programs, including the child care programs, through some form of proportional formula.

2.5 Program Related Terms

A financial sustainability analysis of child care programs would be incomplete if it did not include other important factors relating to the programs.

Here are some key terms that will help you understand Worksheets IV (page 105) and V (page 109).

Deliverable Hours

Given an actual staffing framework, or schedule, this is the estimated number of child care hours that could be provided over a defined period of time (for example: annually).

Worksheet III (page 101) provides a method for calculating the annual deliverable hours for a child care program.

We have found that this measure is most useful in helping to compare different child care programs.

Enrolment

This is the number of children registered with the child care program at a point in time, usually expressed in FTE's (full-time equivalents).

Licensed Capacity

This is the legal maximum number of children allowed in the child care program at any one time. This number is documented on the program's licence to operate.

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3.

GETTING STARTED

Financial planning is hard work and a strong commitment is required. People also need to understand the potential benefits so that they remain involved and do the necessary work.

3.1 Introduction

Start with a diverse group of people (parents, Board members, direct service staff, supervisors, and managers) coming together for an evening or a half day, to:

- discuss people's perceptions of the current financial situation (Worksheet I on page 95 will help)
- clarify people's expectations for the financial planning process (using Worksheet I)
- lay out the steps of the financial planning process (Section 1), including timelines

Choices need to be made about how much of the planning process will be undertaken in light of the resources and time available. This may mean gathering less information (Section 5), or not carrying out the deeper analysis (Section 7).

There may also be points in the financial planning process where other parts of the organization, and the Board, need to be informed and actively involved.

- clarify who needs to be involved in the various steps of the financial planning process
- begin to establish financial sustainability goals (Section 4 and Worksheet II on page 97)
- assign responsibility for doing further work on the financial sustainability goals (Section 4. and Worksheet II on page 97), gathering information (Section 5. and Worksheets III - VI), and organizing meetings

Small working subgroups may be required.

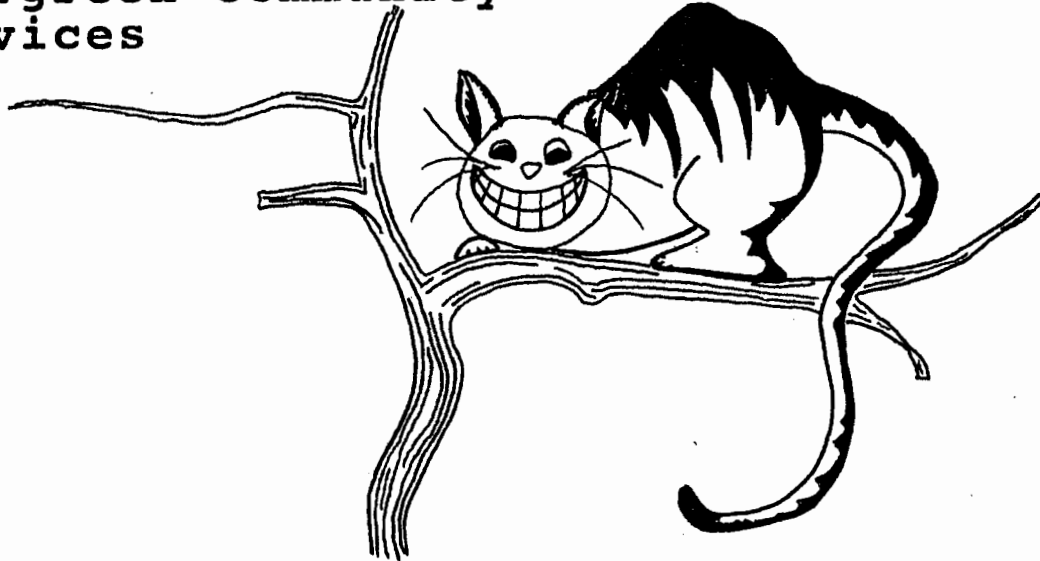
- make a decision to commit to going through the financial planning process.

This first meeting might be a special meeting of the Finance Committee or the Board, or it might be the first meeting of a Task Force focusing upon financial sustainability in child care programs. Make sure that all interested parties are represented.

Before the meeting:

- give people copies of the workbook to read, or at least Sections 1 and 3
- ask people to complete Worksheet I (page 95).

Evergreen Community Services



"That's far too many people", Fraser Tam, the chair of the Child Care Advisory Committee, commented. "No, I don't think so", Jennifer replied, "The more people involved, the better the analysis, the more creativity, and the more buy in to the results. Besides, we have to bring in some people from other departments and from the Board. It's too good a chance to nurture Evergreen's support for child care."

Fraser and Jennifer were meeting over breakfast, a week later. Fraser had read the workbook on financial sustainability and the memorandum from Shirley Young, Finance Director, and agreed totally with Jennifer that there was a need for a longer term financial planning process for child care services. The agenda for their meeting was to begin to plan the process.

Jennifer had suggested two parents, a supervisor, and a staff person from each of the six child care programs; 2-3 other department heads, Jennifer's peers within Evergreen Community Services; the Child Care Advisory Committee; and a representative from the Board's Strategic Planning Task Force. She had thought of inviting Sally Hamilton from the Ministry for Children and Families, but decided that was just a bit too close to a funder.

"How many people are you suggesting?", asked Fraser. "About 30 - 35", Jennifer added quickly. "But, they won't be involved all of the time, just in the initial meeting, and the two one day workshops. If we spread the work out over six months, that will let us meet Shirley's budget schedule for 1999/2000, give us plenty of time to gather information and learn from it, and raise some ideas for the Board's September planning retreat. We can make it work. But, I'm not sure who can lead the working groups along the way, or the overall financial planning process. And, it's going to cost us about \$ 5,000, and I don't know where to find that."

Fraser reflected, and then lit up with ideas. "I think", he suggested, "that Pat Brooks should chair the overall process. You work well with him, he is a parent and a good chairperson, knows lots about financial planning, and it wouldn't be an onerous time commitment if we structure the working groups well. What about having your supervisors staff the working groups? That would bring them into the budgeting process a lot more, and begin to create the more decentralized management style that we are all committed to. If needed, we could put on a one day training workshop on financial management for the supervisors and the working group chairpersons. My credit union offers a good course that we could adapt."

Jennifer grinned, "That's terrific. But what about the \$ 5,000?" "I would take it out of Evergreen's reserves", added Fraser, "We can submit a proposal from the Advisory Committee, through you and Jack Rutherford to Evergreen's Finance Committee. That will help to build their commitment to our child care financial sustainability planning process. They may even decide that they want a Finance Committee member to participate directly. Besides, that's what reserves are for, investment in the future."

The conversation ended, with Jennifer agreeing to develop the agenda for the first meeting, and Fraser committed to writing an invitation letter to all of the potential participants. Jennifer also went off to find an outside facilitator for the first meeting. She knew that creating a successful start would go a long way to ensuring that people became committed to the process.

The next day, Jennifer sat down with Jack Rutherford, Evergreen's Executive Director, to review her conversation with Fraser Tam, and to solicit Jack's support, particularly for the \$ 5,000. "This is terrific", Jack commented, "We might even be able to use it as a model for financial planning processes in other departments. I'll meet with the Finance Committee early next week to get their support".

3.2 Leadership

It will be important to have one or two persons take overall responsibility for leading the financial planning process. Their roles would include:

- facilitating the working sessions
- keeping the process moving according to the agreed timelines
- supporting and encouraging working subgroups who have been assigned to do specific pieces of the work
- making sure that everything is ready for the meetings and working sessions
- generally helping people resolve problems.

3.3 Facilitation

An outside facilitator, experienced in financial planning processes, may be helpful for this first meeting. This facilitator could ensure that:

- everyone participates fully in the discussion
- the issues that need to be addressed are discussed
- the decision to proceed further with the financial planning process is made based on a thorough review.

3.4 Communication

Finally, all of the participants, parents, staff, and Board members, at this first meeting may not participate in the financial planning process but they will be interested in what is happening. Consider creating a simple newsletter for the financial planning process that comes out at key points during the process, providing important information for everyone to know and consider.

3.5 Outcomes From This Step In The Process

By the end of this step in the financial planning process, you should have created the following outcomes. Check your progress.

- Agreement on the desired outcomes for the financial planning process*

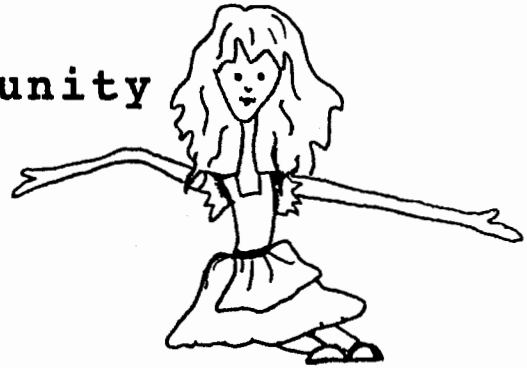
- An initial statement of your financial sustainability goals for child care programs*

- A plan for the financial planning process, answering: what, who, and when*

- Commitment from key people to participate in the financial planning process*



Evergreen Community Services



Jennifer had enjoyed her lunch with Muriel Spark, the facilitator she had approached to provide leadership for the first meeting. They had reviewed the invitation letter that Fraser Tam had drafted, and the agenda that Jennifer had created. All was in good order.

Dear

Over the past five years, Evergreen Community Services' child care programs have grown from one small preschool to six strong child care programs. It is important for this community, our children, parents, and employers, that we continue to ensure that our child care services are financially sustainable and affordable.

Jennifer Larkin and I are proposing that we structure a six month financial sustainability planning process for our child care services, timed to impact the 1999/2000 budget. The major commitments will be an initial evening meeting, and then two day long workshops. There will be working groups in between, but not everyone has to find the time to become involved at that level.

As you will see from the attached list, we are inviting a large and diverse group of volunteers, parents, staff, supervisors, and managers, reflecting all of our child care programs, and other interests within Evergreen Community Services. I hope that you will be able to participate. There will be lots of opportunities to learn about financial issues, have fun together, and make a difference to the future of our community. I would encourage you to see this as an investment of your time, energy, ideas, and experience in the future of your community.

The first meeting will be at 7:00 pm., on Thursday, April 30, in the Evergreen Boardroom.

Thanks for your help

Fraser Tam

Chairperson
Child Care Advisory Committee
Evergreen Community Services

**Child Care Financial Sustainability Planning
Process**

Initial Meeting

Thursday, April 30, 7:00 - 9:30 pm.

1. *Welcome And Introductions*
2. *Current Perceptions Of The Financial Picture Of
Evergreen's Child Care Services*
 - *Strengths*
 - *Weaknesses*
 - *Overall facts*
3. *An Overview Of Some Of The Financial Challenges In The
1998/99 Budgeting Process*
 - *Rising deficits*
 - *Enrolments*
 - *Parent Fund Raising*
 - *Infant/Toddler linkage to teen parents*
 - *Evergreen's salary policy*
4. *Expectations And Hopes For The Financial Sustainability
Planning Process*
5. *An Overview Of The Proposed Financial Sustainability
Planning Process*
6. *Next Steps*
 - *Information to be gathered: what, working
groups, when*
 - *Developing financial sustainability goals:
working group, when*
 - *Chairperson for the overall process*
 - *Chairpersons, participants, and staff support
for the working groups*
 - *Date for the first one day workshop*

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4.

SETTING GOALS

Every child care organization is unique, with its own history, mission and vision, leadership styles, values and culture, and structures.

Financial sustainability goals and plans have to reflect the particular characteristics of the organization.

4.1 Introduction

We use the finances of our organizations to achieve our mission, and to work towards program goals. In other words, financial planning needs to be set in a broader context of what we are trying to achieve.

There may also be financial goals having to do with ensuring that our organizations, and our programs, survive and thrive into the future.

Part of the financial planning process needs to focus on clarifying these broader goals. The goals may also need to be changed through the financial planning process, in light of the discovered financial realities. It is important that the financial sustainability goals be written in such a way that you can measure progress towards meeting them. A sample statement of financial sustainability goals can be found in the on-going story of Evergreen Community Services at the end of this section.

4.2 Process Suggestions

The work of setting financial sustainability goals for your child care programs began in the first, Getting Started, session. However, more work will likely need to be done:

- gathering information
- answering the questions in Worksheet II (page 97)
- developing draft financial sustainability goals
- obtaining feedback on these goals from other parts of the organization
- rethinking the draft goals in light of the financial planning analysis.

If you are following the workshop format, it makes sense to set up a working subgroup to take responsibility for carrying out this work. They could present their thinking to the whole group when people gather to analyze and learn from the financial information that has been collected (Section 6). Feedback to the working subgroup at this point would allow them to rethink the financial sustainability goals in preparation for the Action Planning workshop (Section 8).

Alternatively, if you are carrying out the financial planning process with the same group of people over a number of meetings, then one meeting needs to be dedicated to setting financial sustainability goals.

4.3 The Worksheet - Establishing Financial Sustainability Goals

Worksheet II (page 97) provides a series of questions designed to help you articulate financial sustainability goals for your child care programs.

You will need to gather information to help in the process, such as:

- the organization's mission statement
- reports from recent strategic planning and longer term financial planning processes of the organization
- recent child care evaluation and planning processes
- recent grant applications for child care programs.

4.4 Outcomes From This Step In The Process

By the end of this step in the financial planning process, you should have created the following outcomes. Check your progress.

- [] *Agreement on a set of financial sustainability goals for the child care programs*

Evergreen Community Services



Memorandum

TO: Fraser Tam, Chairperson, Child Care Advisory Committee
Jennifer Larkin, Director, Child Care Services
Pat Brooks, Chairperson, Financial Sustainability Planning Process

FROM: Martha Baldwin, Chairperson, Financial Sustainability Goals Working Group
Alicia Wong, Supervisor, Walrus Child Care Centre

DATE: June 15, 1998

The working group on developing financial sustainability goals for Evergreen's child care services has had a number of meetings.

We have:

- reviewed the initial ideas developed at our first meeting on April 30
- held meetings with several people whose input we thought might be highly useful, including:
 - Jack Rutherford, Executive Director
 - Shirley Young, Finance Director
 - Nora Butcher, Treasurer, Evergreen Community Services
 - Delilah Thompson, Chairperson, Evergreen's Board/community Task Force on Family Outreach
 - Sally Hamilton, Ministry for Children and Families
- developed a draft set of financial sustainability goals, which were circulated to all child care supervisors for feedback
- re-drafted the goals on the basis of the feedback from staff, and some preliminary conversations with the parents at each child care program.

Here are our recommended draft financial sustainability goals for discussion at the one day workshop on July 4.

Organizational

From an organizational perspective, Evergreen Community Services is committed to:

1. *maintaining a minimum of 1.5 months of operating expenditures in unrestricted reserves to meet unforeseen operating costs in all of Evergreen's programs.*
2. *expanding the capital reserve to ensure that unforeseen capital costs can be adequately covered in all of Evergreen's programs.*
3. *building an endowment fund specifically for child care services so that the Board is not caught annually with the decision to subsidize child care services.*
4. *creating a sustainable community annual fund raising strategy to be used to enhance the affordability of our child care programs, and to invest funds in the development of new child care programs.*

Child Care Programs

From a child care program perspective, Evergreen Community Services is committed to:

5. *ensuring that the child care programs as a whole are financially self-supporting*

This commitment recognizes that surpluses in some child care programs may need to be expanded as a way to offset deficits in other child care programs.

6. *ensuring that enrolments are maintained at a minimum of 95% of licensed capacity in each child care program.*

This commitment has obvious positive financial implications, but we also believe such a goal is merited if we are to be sure that we are meeting community needs.

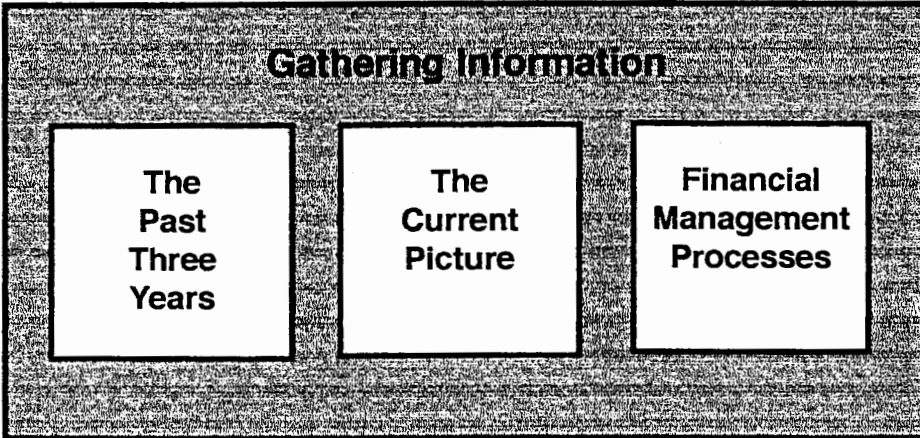
7. *continuing to set parent fees on the basis of consideration of program costs, balanced by the need to meet the goal of maintaining affordable child care programs.*

8. *removing all vulnerable revenue sources (for example: gaming) from the operating revenues.*

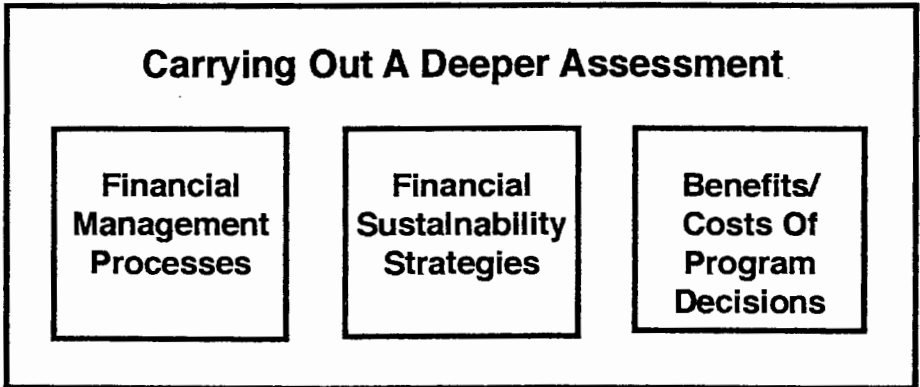
FINANCIAL SUSTAINABILITY PLANNING PROCESS

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5. GATHERING INFORMATION

Good planning and decision-making requires sound information.

Consensus is more easily reached by ensuring that all participants have and understand the same levels of information, and work together to identify strengths and weaknesses on the basis of this information.

5.1 Introduction

The next step in the financial planning process is to gather financial and other related information pertaining to your child care programs.

The purpose is to:

- test out people's perceptions of the financial strengths, weaknesses, and challenges of your child care programs
- level the playing field of knowledge so that all participants can be part of the planning on a more equal footing
- build consensus about the financial strengths, weaknesses, and challenges that you are facing.

Three types of financial information are suggested in this section:

- a broad picture of the finances, and related program statistics, of the child care programs over the past three years

The goal is to look at key trends and events, and to assess the future stability and vulnerability of specific revenues and expenditures.

- a more detailed review of the current financial picture, and the related program statistics

The goal is to gather enough information so that it is possible to begin to look at the impacts of particular decisions, for example: fees, salaries, enrolment levels, benefits, staffing schedules, program enhancements, and management supports.

- a look at the financial management processes, and internal controls

The goal is to ensure that your financial management processes are healthy.

These financial information components are discussed in the next three sub-sections.

You need to make a decision as to whether you are collecting information on all of your child care programs as a group, on each specific program, or both.

5.2 The Past Three Years

Building a picture of the finances of your child care programs over the past three years requires going back into past records, year end financial statements, and, where appropriate, audited financial statements.

Worksheet IV (page 105) provides an example of how to summarize the detailed information into the broad categories required for this process.

This work might be done by a small working subgroup, made up of Board members, parents, and staff from the first evening session. They should start by gathering financial information from the past three years, and then decide what key pieces of financial and other related information are needed.

It is important to note that relevant non-financial information will also be needed (for example: enrolment patterns, fee rates and kinds of service).

The on-going story of Evergreen Community Services at the end of this section contains some examples of how you might lay out the the three year financial picture.

5.3 The Current Picture

Worksheet V (page 109) provides a survey tool for gathering and analyzing more detailed information about the current financial picture of your child care programs.

This information will be useful for exploring:

- where revenues might be expanded
- where expenditures might be reduced
- how specific program decisions affect the financial situation.

This work might be done by another small working subgroup, made up of Board members, parents, and staff from the first evening session. They should start by gathering financial, and other related, information from the past year, and then complete Worksheet V (page 109).

It is important to note again that relevant non-financial information will also be needed (for example: enrolment patterns, fee rates and kinds of service).

It is also important to note, again, that a decision has to be made as to whether you are collecting information on all of your child care programs as a group, on each child care program separately, or both.

5.4 Financial Management Processes

It is important to look at your financial management processes because changes here may create efficiencies, improve annual financial planning and budgeting, help to control expenditures, and ensure that all budgeted revenues are received.

Information about current financial management policies is more qualitative than the financial pictures outlined in the previous two sub-sections.

It includes, for example:

- the budget process
- financial reporting formats and processes
- fee collection processes
- other financial internal controls.

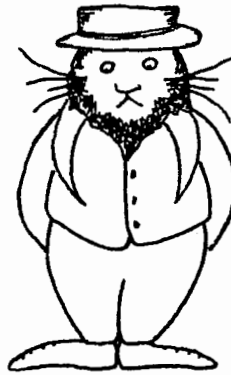
Worksheet VI (page 113) suggests a series of questions that need to be answered in order to understand the strengths and weaknesses of your current financial management processes.

5.5 Outcomes From This Step In The Process

By the end of this step in the financial planning process, you should have created the following outcomes. Check your progress.

- A financial picture for the past three years*
- A financial picture for the current year*
- A description of the financial management processes*

Evergreen Community Services



Fraser Tam, Pat Brooks, and Jennifer Larkin were meeting with Muriel Spark to plan for the upcoming one day workshop, the next major step in the financial sustainability planning process. Muriel had facilitated the initial meeting, and had been invited to do the same for the one day workshop. With so many people involved, and so much information to work through, outside facilitation was considered essential.

Jennifer opened the meeting up with a review of the information that had been collected so far. "The working groups have really worked hard", she commented, "We have information on: the past three years, the current financial picture, the winds of change likely to impact our child care programs over the next few years, and the areas where our revenues are vulnerable. And, all of the working groups have raised ideas for new developments in our child care services that we ought to be considering over the next few years. If anything, we have too much information."

Pat smiled. "We can never have too much information", he added, "If there is an issue, here, we are going to need, at some point, some more in depth information regarding the Queen of Hearts 3-5 Child Care Centre and the Cheshire Cat Infant/Toddler Centre. That's where our immediate problems seem to lie."

"I agree", Fraser said, jumping into the conversation, "But, we will also need a longer term projection of the impacts of Evergreen's new salary policies on our child care services. That, and the vulnerability in Provincial support, are going to be major factors in the next five years. And, what about this memorandum from Maria and Donna regarding the entry of the City's Parks and Recreation Department into the school-aged child care field?"

Muriel decided it was time for her to intervene. "Let's remember the overall process you have adopted", she said, "The one day workshop is meant to let everyone catch up in terms of knowledge and understanding, and further clarify the financial challenges that you are facing. You can decide at the end of that day whether you need to do a deeper analysis, though I agree that it looks like you will need to. Lets spend our time now developing an agenda for the workshop."

The conversation among the four carried on, but always came back to the challenge of creating the agenda for the one day workshop. They agreed that the key information picture to discuss was the three year profit and loss picture of all of the child care programs, and that the school-aged situation needed to receive some immediate attention even though it was a more specific issue. "Nothing like surprises from out in left field to add to our challenges", Fraser concluded at the end of the meeting.

Child Care Financial Sustainability Planning Process

Learning From The Information

Saturday, July 4, 9:00 - 4:00

1. *Introductions And Review Of The Financial Planning Process*

2. *Looking At The Information Gathered To Date*

- *The past three years (see attached)*
- *The 1998/99 budget*
- *Current financial management processes*
- *The winds of change*
- *Vulnerable revenues*

For each piece of information, there will be:

- *A presentation from the working group that prepared it*
- *A discussion, in small groups, of the strengths, weaknesses, opportunities, and threats facing our child care services*
- *Feedback from the small groups*

3. *Pulling Out The Overall Picture Of Strengths, Weaknesses, Opportunities, And Threats*

4. *Reviewing The Draft Financial Sustainability Goals*

5. *Exploring The Specific Challenges Of School-Aged Child Care (see attached)*

6. *Next Steps*

- *Deeper level of analysis: Queen of Hearts, Cheshire Cat, School Aged child care, Evergreen's salary policy, City financial support,*
- *Other information required*
- *Working groups*
- *Date for the next one day workshop*

Evergreen Community Services Child Care

The Past Three Years

	1996/97 (actual)	1997/98 (actual)	1998/99 (budget)
Revenues			
Cheshire Cat (I/T)	258,535	272,335	288,985
Walrus (3-5)	165,000	168,300	171,666
Queen of Hearts (3-5)	143,593	138,538	143,268
Mock Turtle (PreSchool)	55,000	56,650	58,350
White Rabbit (Preschool)	52,500	53,025	53,555
Alice (School Aged)	44,000	46,920	47,858
	718,628	735,768	763,682
Expenditures			
Cheshire Cat (I/T)	283,583	288,228	305,582
Walrus (3-5)	164,500	167,790	171,146
Queen of Hearts (3-5)	150,856	152,400	161,187
Mock Turtle (PreSchool)	49,550	50,541	51,552
White Rabbit (Preschool)	49,600	50,592	51,604
Alice (School Aged)	45,000	45,900	46,818
	743,089	755,451	787,889
Surplus/Deficit			
Cheshire Cat (I/T)	<25,408>	<15,893>	<16,597>
Walrus (3-5)	500	510	520
Queen of Hearts (3-5)	<7,263>	<13,862>	<17,919>
Mock Turtle (PreSchool)	5,450	6,109	6,798
White Rabbit (Preschool)	2,900	2,433	1,951
Alice (School Aged)	<1,000>	1,020	1,040
	<24,461>	<19,683>	<24,207>

Memorandum

TO: Jennifer Larkin
Fraser Tam

FROM: Maria Allueva, Supervisor, School Aged Child
Care
Donna Green, Parent Representative, School Aged
Child Care

DATE: June 17, 1998

The rumour we picked up at last week's school-aged child care conference appears to be true. The City's Parks and Recreation Department has decided to initiate school aged child care programs at every community centre, including the one in Evergreen.

The details seem unclear, but there appears to be a major agreement with Atco Computers. They are the multinational computer corporation who just opened a megastore downtown. Rumour has it that they are going to sponsor the community centre's school-aged child care programs in return for the City's computer business. It's called "economic citizenship", according to a C.B.C. program awhile back.

We are worried!

Our own enrolment rates have just got to the point where we are breaking even financially.

Can we discuss this at the July 4 workshop? We know that the focus of the workshop is on the much broader financial situation of all of our child care programs. But, time is of the essence.

We need to develop a marketing approach that makes sense, and sit down with the local Community Centre Coordinator. Why hasn't she kept us informed? This kind of surprise, we do not need!

Perhaps there is an advocacy role for the Board of Evergreen Community Services to initiate a broader planning process with Parks and Recreation, looking at underserved areas.

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6. LEARNING FROM THE INFORMATION

The more time that a group of people spends together exploring the available information, the easier it is for them to build consensus about the nature of the problems, and the potential directions.

6.1 Introduction

Once you have collected all of the information, the next step involves pulling a diverse group of people together to analyze, and learn from it.

If you are using the one day workshop format, this will be the first of the two one day workshops. Alternatively, if you are carrying out the financial planning process over a series of meetings, one, or maybe two, meetings will need to be dedicated to this step.

It is always tempting to rush this stage of the process. Experience shows that the more time you spend here, the easier it will be to build consensus on the financial strengths, weaknesses, and challenges (Section 6.4), and on the action plans (Section 7).

This is also the point where you need to hear back from the working subgroup that has been developing draft financial sustainability goals for your child care programs.

Finally, this is another point where an outside facilitator can be very helpful, ensuring that people fully understand the information presented, and letting everyone participate equally.

6.2 Presenting The Information

The information you will have gathered in the previous stage of the financial planning process will be on bits of paper all over the place. It needs to be pulled together.

The most powerful approach is to portray all of the information on a series of sheets (for example: flipcharts or overheads with large print) that can be put up on walls for everyone to review together in a coordinated way.

Avoid handing out all of the information beforehand on small, individual sheets of paper. You need to encourage people to work as a group in analysing the information, and learning from it.

6.3 Analysing The Information

It is important that the whole group analyze the information slowly, and that they walk through some specific steps. The information includes the past three years, the current picture, and the financial management processes.

- Have someone present the information.
- Ask people for questions of clarification before moving to evaluating what the information means.
- Invite people to make observations about the information, particularly about what is important to them. Avoid jumping to hard and fast conclusions too soon.
- Identify an initial list of strengths, weaknesses, and challenges.

You might refer back to the questions raised earlier in Section 1.6

- *What are our current major sources of revenues? How have these changed in the past few years?*
- *Which revenue sources are secure? Which are vulnerable over the next few years?*
- *What are our major expenditure categories? How have these changed in the past few years?*
- *Where might expenditures decrease or increase over the next few years?*
- *What decisions (for example: staff salaries and benefits, program choices, staff schedules, enhanced services, and management supports) have given rise to our expenditure patterns? Are these decisions still justified today? Are they affordable?*
- *What in kind contributions are we receiving (for example: subsidized facilities and volunteers)? Will these continue? Can they be expanded?*
- *Will our child care programs require increased revenues in the future? Why?*
- *Should we close any child care programs?*
- *Are we using our current resources well? Can efficiencies be created? Can some resources be reallocated? What are other organizations doing to control expenditures?*
- *What are our revenue strengths? Can these be expanded?*
- *What are other organizations doing to create new revenue sources, or alter expenditure patterns? Do any of these fit our situation?*

6.4 Arriving At Conclusions

Once all of the information has been reviewed, you will have lists (more flipchart sheets) of the financial strengths, weaknesses, and challenges of your child care programs.

You may also have identified more questions that need to be addressed. If so, assign a person or working subgroup to gather the additional information required.

The detailed list of financial strengths, weaknesses, and challenges needs to be consolidated into a broader picture of the overall conclusions about the current financial sustainability of your child care programs.

Start with the strengths. Experience suggests that being clear about the positive helps a group later in facing the challenges. Then, proceed to the weaknesses and challenges.

Make sure that there is consensus on the overall conclusions. Unspoken disagreements at this point will make it very difficult to achieve consensus on the action plans.

6.5 Deeper Analysis Or Not

The next section (Section 7) provides three approaches for carrying out a deeper analysis of the current financial situation of your child care programs.

You may choose not to carry out this work, but to move directly from the conclusions you have reached so far to the Action Planning phase (Section 8).

Your choices ought to reflect:

- the complexity and seriousness of the financial problems that you are facing
- the resources available to do further analysis.

6.6 Outcomes From This Step In The Process

By the end of this step in the financial planning process, you should have created the following outcomes. Check your progress.

- Equal understanding among the participants regarding the financial pictures*
- Lists of strengths, weaknesses, and challenges*
- Broad conclusions about financial strengths, weaknesses, and challenges*
- A decision to move deeper or not*

Evergreen Community Services



Jennifer Larkin drained her third cup of coffee for the morning. Her regular supervisors' meeting was in an hour, and they needed to debrief from the previous Saturday's financial sustainability workshop.

There was much to discuss, including the decision to carry out a more detailed analysis of the financial situations at the Cheshire Cat and Queen of Hearts Centres, and the preliminary action plan developed to protect the enrolment levels at the school-aged child care program. The day had been long, and sometimes tedious. There had been so much information to plow through. Nevertheless, Muriel Spark, the facilitator, had kept people on track, and enthusiastic.

Despite her strong belief in the process, Jennifer remained surprised, and delighted, at the level of participation, and the positive comments at the end of the day. Everyone, even her overworked staff, seemed to be prepared to come back in September to develop action plans. The recommendations for immediate action on school-aged child care made great sense. And, the support for creating an endowment fund as a long term investment approach to enhancing and expanding child care was exciting. Still, Jennifer was nervous, particularly about the supervisors of the Cheshire Cat and Walrus Centres. They were likely to be feeling defensive and wary about the financial situations in their own Centres, and the weaknesses identified over the weekend. She also knew that the preschool teachers and some of the parents were beginning to ask why their programs had to keep making profits to subsidize the other child care services.

Jennifer was glad that Muriel had been able to get the summary notes of the financial analysis done quickly. She had faxed them out to all of her supervisors yesterday.

Evergreen Community Services Child Care Programs

Financial Analysis

Strengths

- Financial management systems in place
- Commitment to further decentralize financial management responsibilities to supervisors
- Good information to work from
- Growth in child care programs, responding to community needs
- Parent fund raising, though stretched goals for 1998/99
- Commitment to 92% enrolments in the 1998/99 budget
- The Board's support for subsidizing child care services
- Evergreen Community Services' new salary policy
- Positive financial situations in four of the six child care programs
- Current quality of staff and child care services

Weaknesses

- Rising overall deficits for child care services
- Weak program marketing approaches
- Deficits in the Cheshire Cat and Queen of Hearts Child Care Centres
- Lack of clear information on unpaid fees
- Reliance on parent fund raising
- Potential frustrations among some programs that they have to create profits to subsidize other programs
- Fees too high for some parents in the community, with no internal subsidies available

Opportunities

- Evergreen Community Services' new Family Outreach Task Force
- Possibilities of expanding school aged child care to three more elementary schools in Evergreen
- The Board's strategic planning process
- Pressures within Evergreen Community Services to create a more diversified revenue basis; child care services are leading the way in earned income through parent fees
- Possibilities of linking the Cheshire Cat Infant/Toddler Child Care Centre to Evergreen Community Services' new teen parent program
- Possibilities for collaborating with Parks and Recreation in school-aged child care

Threats

- The City's new fire regulations
- The Board's concerns for subsidizing child care services into the future
- Parents potentially leaving because of rising fees, and increasing requirements for parent fund raising
- No revenue sources to respond to Evergreen Community Services' new salary policy
- Increasing deficits due to the proposed 12% administrative charge
- Potential declines in Provincial funding for child care
- New competition in school aged child care from Parks and Recreation
- Declining program quality in response to financial squeezes

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7.

A DEEPER ASSESSMENT OF THE CURRENT SITUATION

Child care organizations make particular decisions to enhance program quality, accessibility, and affordability.

It is important that people be clear about the real costs and benefits of these decisions.

7.1 Introduction

The conclusions reached at the end of the previous section may need to be explored further through a deeper assessment of the current financial situation of your child care programs.

The next three sub-sections provide some ideas for analysing further:

- your financial management processes, and internal controls
- your current strategies for achieving financial sustainability within your child care programs
- the benefits and costs of specific program decisions within your child care programs.

The work could be done by three working subgroups formed after the Learning And Analysing Information step (Section 6). Alternatively, the core group could do it over a series of meetings.

7.2 Financial Management Processes

Worksheet VII (page 115) provides a tool for assessing your current financial management processes, and internal controls. It lays out a series of standards derived from "best practices" in the voluntary sector, and invites you to evaluate your own situation against these standards.

Using the information gathered earlier (Section 5.4), each member of the working subgroup should complete the assessment form.

The ensuing discussion should:

- build consensus on the assessment of your current financial management processes and internal controls
- identify the areas of strengths
- identify the areas where change needs to happen.

7.3 Financial Sustainability Strategies

The original pilot studies of financial sustainability within the Vancouver Child Care Regional Delivery Pilot Project suggested the following sustainability strategies.

- Make sure that the mortgage or rental costs are contributed in kind, and that on-going maintenance costs are low. Negotiate responsibility for major capital improvements.
- Ensure consistently high levels of enrolment by assessing community need, choosing the location carefully, and marketing the program widely and consistently.
- Consider changing the nature of the child care program (for example: hours of operation and part-time enrolments) to better meet community needs.

- Be careful about other competitors in the nearby community. Ensure services are not being duplicated.
- Confirm the organization's commitment, and capacity, to absorb program deficits.
- Test out the community's commitment to providing in kind and dollar contributions.
- Avoid including additional services unless they can be fully paid for.
- Compare staffing schedules with those used in other child care programs.
- Ensure that government support which is available is fully utilized, consistent with that provided to other similar child care programs.
- Build in two year operational start up funds as enrolment patterns can take that period of time to reach potential.
- Be as creative as possible about alternative forms of revenue.
- Set up a management information system to track client numbers and enrolment patterns.
- Provide clear information to parents about the full costs of care .

Worksheet VIII (page 119) provides a tool for assessing the current financial sustainability of your child care programs. The worksheet invites you to compare your child care program's status against the observations above.

Using the information gathered earlier (Sections 5.2 - The Past Three Years, and 5.3 - The Current Picture), have each member of the working subgroup complete the assessment form.

The ensuing discussion should:

- build consensus on the assessment of your current ability to ensure financial sustainability
- identify the areas of strengths
- identify the areas where change needs to happen.

7.4 Benefits/Costs Of Program Decisions

The current picture of any child care program is the result of a series of decisions about how to operate the program effectively, in response to the needs of families, staff, and the organization.

For example, some organizations believe that choosing one or more of the following courses of action will improve program quality:

- providing a higher staff/child ratio than required by licensing
- using a staffing schedule that provides additional staff time for program preparation, team development, and planning around individual children, etc.
- paying salaries and benefits above the sector average so as to be fair to staff, hire and retain well qualified staff, or fit with the broader organizational human resources framework
- supporting staff development
- providing additional or enhanced services to children and families
- providing additional management supports.

While these program decisions have benefits, they also incur additional costs. The questions that need to be asked include:

- Do the benefits justify the costs?
- Are the additional costs affordable?

Analysing the benefits/costs of specific program decisions involves:

- identifying the specific program decisions by comparing the current way in which the child care programs are operated with either the legal minimum standards required by licensing and/or with other organization's approaches
- creating a revenue and expenditure picture that assumes the child care programs are operated at the legal minimum standards (you can use the format developed in Worksheet V)
- estimating the additional costs of each specific program decision
- articulating the benefits of each specific program decision.

Once this has been done, judgments can be made about the relative merits of the specific program decisions, weighing the benefits against the costs.

7.5 Outcomes From This Step In The Process

By the end of this step in the financial planning process, you should have created the following outcomes. Check your progress.

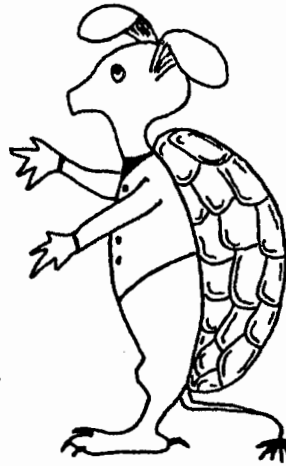
- A detailed assessment of the financial management processes*

- A detailed assessment of current financial sustainability strategies*

- A full benefit/cost analysis of program decisions*

- Detailed assessments of specific child care programs, and their financial issues.*

Evergreen Community Services



MEMORANDUM

TO: All Participants In The Child Care Financial Planning Process

FROM: Pat Brooks
Chairperson, Financial Planning Process

DATE: August 15, 1998

Here is the more detailed financial analysis of the Cheshire Cat and Queen of Hearts Child Care Centres that we decided we needed at the workshop on July 4.

I also wanted to bring you up to date on actions that have already been undertaken in response to our discussions that day.

- A newsletter went out to all parents in our child care programs to keep them abreast of our discussions of the financial challenges. So far, their feedback has been positive.
- Fraser Tam and I made a formal presentation on the child care financial challenges to Evergreen Community Services' Board in early August. The Board is highly supportive of our efforts, and has agreed in principle to consider the idea of an endowment fund dedicated specifically to child care operating costs. The Board has also approved in principle the child care financial sustainability goals.
- Jennifer Larkin, Maria Allueva, and Donna Green have met with management of Parks and Recreation to discuss ways to collaborate on school aged child care.

Thanks for your participation so far. I want to encourage everyone to come out at the next workshop on Saturday, September 19. That will be our opportunity to develop some directions and action plans for the next few years to improve the financial situation of our child care services. Bring your ideas and creativity.

What comes out of our day on September 19 will be taken directly to Evergreen Community Services' annual Board/management retreat on October 3.

Evergreen Community Services

Cheshire Cat Infant/Toddler Child Care Centre

	1996/97 (actual)	1997/98 (actual)	1998/99 (budget)
<u>Enrolments</u>			
Infant (max 12.0)	11.0	11.5	11.5
Toddler (max. 12.0)	12.0	11.5	11.5
Total	23.0	23.0	23.0
Monthly Fee Levels	\$750	\$800	\$850
<u>Revenues</u>			
Fees - Infant	97,500	108,800	116,300
Fees - Toddler	106,490	108,638	116,300
Parent Fundraising	1,010	1,362	2,850
Provincial Wage Grant	25,935	25,935	25,935
Provincial Infant/Toddler Grant	27,600	27,600	27,600
Total	258,535	272,335	288,985
<u>Expenditures</u>			
<u>Human Resources</u>			
Regular Salaries	198,253	202,218	212,329
Substitutes	17,843	16,177	16,986
Benefits	31,165	31,627	33,208
Professional Development	1,200	1,650	1,925
Total	248,461	251,672	264,448
<u>Program</u>			
Food	2,760	3,036	2,760
Supplies	2,760	2,898	2,760
Total	5,520	6,934	5,520
Facilities	6,000	6,000	6,000
<u>Administration</u>			
Promotion	200	175	220
Office supplies	1,510	1,340	2,000
Miscellaneous	320	400	410
Telephone	890	920	975
Admin. Allocation	20,683	21,787	26,009
Total	23,603	24,622	29,614
Total Expenditures	283,583	288,228	305,582
Surplus/Deficit	<25,408>	<15,893>	<16,597>

Observations

1. There are 7.6 FTE staff involved.
2. The Provincial wage grant reflects about \$ 1.75 per hour per FTE staff, and the Infant/Toddler grant represents about \$ 100 per month per child.
3. Substitute costs range from 9% of regular salaries in 1996/97, to 8% in 1997/98 and 1998/99.
4. The facility involves a 5 year lease agreement, at \$ 500 per month, all inclusive.
5. The administrative allocation reflects 8% of total revenues in 1996/97 and 1997/98, and 9% in 1998/99.
6. Over the three years:

Fee rates have risen by	13.3%
Fee revenues have risen by	14.0%
Provincial revenues have risen by	0.0%
Total revenues have risen by	11.8%
Human resource costs have risen by	6.4%
Program costs have risen by	0.0%
Facility costs have risen by	0.0%
Administrative costs have risen by	25.5%
Total expenditures have risen by	7.8%

7. Over the three years, inflation accounts for about 3% of the overall increases in costs.
8. Over the three years, revenues have risen faster than expenditures, resulting in a lower annual deficit.
9. There have been deficits in each of the last three years.
10. No funds are being set aside for a capital reserve.
11. Enrolments are consistent at 95.8%
12. Uncollected family fees reflect \$ 3,010 in 1996/97, \$ 3,362 in 1997/98, and \$ 2,000 in 1998/99.
13. The policy regarding professional development is \$ 500 per FTE staff person. This is not being fully utilized.
14. Benefits reflect 8% of substitute salaries and 15% of regular salaries in all three years.

Evergreen Community Services

Queen Of Hearts 3 -5 Child Care Centre

	1996/97 (actual)	1997/98 (actual)	1998/99 (budget)
<u>Enrolments</u>			
Total	23.0	21.5	21.0
Monthly Fees	\$ 475	\$ 500	\$ 525
<u>Revenues</u>			
Fees	130,200	125,000	128,300
Provincial Wage Grant	12,968	12,968	12,968
Parent Fund Raising	425	570	2,000
Total	143,593	138,538	143,268
<u>Expenditures</u>			
<u>Human Resources</u>			
Regular Salaries	99,126	101,109	106,164
Substitutes	8,921	9,100	9,555
Benefits	15,583	15,894	16,689
Professional Development	490	525	1,000
Total	124,120	126,628	133,408
<u>Program</u>			
Food	3,864	3,767	3,780
Supplies	3,919	3,793	3,780
Total	7,783	7,559	7,560
Facilities	4,200	4,200	4,200
<u>Administration</u>			
Promotion	50	75	0
Office supplies	1,450	1,200	1,375
Miscellaneous	925	800	860
Telephone	840	855	890
Admin. Allocation	11,487	11,083	12,894
Total	14,752	14,013	16,019
<u>Total Expenditures</u>	<u>150,856</u>	<u>152,400</u>	<u>161,187</u>
<u>Surplus/Deficit</u>	<u><7,263></u>	<u><13,863></u>	<u><17,920></u>

Observations

1. There are 3.8 FTE staff involved.
2. The Provincial wage grant reflects about \$ 1.75 per hour per FTE staff.
3. Substitute costs reflect from 9% of regular salaries in all three years.
4. The facility involves a 5 year lease agreement, at \$ 350 per month, all inclusive.
5. The administrative allocation reflects 8% of total revenues in 1996/97 and 1997/98, and 9% in 1998/99.
6. Over the three years:

Fee rates have risen by	10.5%
Fee revenues have risen by	<1.5%>
Provincial revenues have risen by	0.0%
Total revenues have risen by	<0.2%>
Human resource costs have risen by	7.5%
Program costs have risen by	<2.9%>
Facility costs have risen by	0.0%
Administrative costs have risen by	8.6%
Total expenditures have risen by	6.8%
7. Over the three years, inflation accounts for about 3% of the overall increases in costs.
8. Over the three years, expenditures have risen faster than revenues, resulting in a higher annual deficit.
9. There have been deficits in each of the last three years.
10. No funds are being set aside for a capital reserve.
11. Enrolments range from 84% to 92%.
12. Uncollected family fees reflect \$ 900 in 1996/97, \$ 4,000 in 1997/98, and \$ 4,000 in 1998/99.
13. The policy regarding professional development is \$ 500 per FTE staff person. This is not being fully utilized.
14. Benefits reflect 8% of substitute salaries and 15% of regular salaries in all three years.

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8.

ACTION PLANNING

Solid agreement to pursue three or four priorities that are realistic and will make a concrete difference is far better than developing a long list of priorities that will never receive proper attention.

8.1 Introduction

This is the last step in the financial planning process.

The questions to be addressed are:

- What do we need to do over the next 2-3 years to enhance the financial sustainability of our child care programs ?
- What should our priorities be for next year?
- What actions are required for each priority?
- Who is responsible for implementing the action plans?
- What resources will those who are responsible need?

These questions may seem daunting. However, given enough attention in the previous steps to gathering and analysing information (Section 5), identifying the overall financial strengths and weaknesses (Section 6), and, where appropriate, carrying out the deeper level of analysis (Section 7), the action directions will likely have already begun to emerge.

It is important at this step to avoid jumping too fast to specific answers, and taking the time to be as creative as possible in exploring alternatives, as wild as they may seem. This is also the point at which a review of the approaches used by other child care programs and organizations may be beneficial.

8.2 Where To Look

Increasing financial sustainability may involve some or all of the following:

- increasing enrolments to make full use of a child care program's capacity. In many cases the resulting revenue increase is accomplished without substantially increasing costs because the staffing structure is already in place
- changing the way child care programs are operated (for example: hours of operation and part-time enrolments) to better meet community needs
- finding internal efficiencies which save time and dollars
- reducing certain expenditures through in kind contributions
- altering some of the program decisions because the benefits do not outweigh the costs, or because they are simply not affordable
- improving fee collection processes to ensure that all monies owed are collected in a timely way
- increasing current revenues, for example, by:
 - raising monthly fee rates for families
 - ensuring all government funding sources are accessed
- looking at new revenue sources.

Each of these ideas will need to be explored in detail.

It is also important to realize that it may be necessary to close down one or more child care programs, to protect the sustainability of others.

8.3 Process Suggestions

If you are using the one day workshop format, the action planning step involves a second one day session. Alternatively, if you are using a number of evening sessions, this step will require one to two evenings.

In this step it is important to involve everyone who has been a part of the financial planning process so far. Their information, experience, and perspectives will be essential. Involvement of a diverse group of people working together helps to ensure creativity, relevance, realism, and ownership of the results.

Here is a suggested series of steps to follow.

- Review the financial sustainability strengths and weaknesses that emerged out of the previous two steps in the financial planning process (Sections 6 and 7).
- Review the financial sustainability goals that have been developed along the way.
- Take each of the points in Section 8.2, and hold a brainstorming exercise about the possibilities. Review each possibility against the financial sustainability goals, and the resources of the organization to implement change.
- Ask people to select the top three priority directions for the next two to three years. Once the individual priorities are up on flipcharts, further discussion and overall priority setting is likely required. Look for 3-5 key directions that will make a difference, and are achievable over the next two to three years. Keep the other ideas for future possibilities.

- Take the top 3-5 directions for the next two to three years, and begin to look at what this means for the following year.
 - What needs to be done?
 - Who will do it?
 - What resources will they need?

It is important to take the actions decided upon and ensure that they are reflected in the next year's budget. It may also be useful to take the broader directions and create a three year financial plan.

8.4 Outcomes From This Step In The Process

By the end of this step in the financial planning process, you should have created the following outcomes. Check your progress.

- [] *Agreement on two to three directions for the next few years that will make a difference*

- [] *Agreement on a limited number of action priorities for the next year to implement the new directions*

- [] *Development of responsibilities and timelines for the priorities*

Evergreen Community Services



MEMORANDUM

TO: Child Care Advisory Committee

FROM: Jennifer Larkin, Director, Child Care Services
Pat Brooks, Chair, Financial Sustainability Planning Process

DATE: September 25, 1998

We have taken the discussions and the recommendations resulting from the final workshop on September 19 of our child care financial sustainability planning process, and created a draft action plan for 1999/2000, and beyond. The draft action plan was reviewed by the supervisors' team earlier in the week. We would like to review the draft action plan at our meeting on September 30, before it is presented to the Board.

Short Term (1999/2000 and 2000/2001)

1. Reduce the deficit of the Cheshire Cat Infant/Toddler Child Care Program to just over \$ 12,000 by ensuring full collection of family fees.

Continue to recognize that surpluses will need to be created in other child care programs to offset the continuing deficit in the infant/toddler program.

2. Reduce the deficit of the Queen of Hearts 3 - 5 Year Old Child Care Program to just over \$ 5,500 in 1999/2000, and to zero in 2000/2001 by ensuring full collection of family fees, and by enhanced marketing and promotion to bring enrolment up to 90% in 1999/2000 and 94% in 2000/2001.

This should mean that the overall child care deficit in 2000/2001 is close to zero.

Financial Sustainability For Child Care Organizations

3. Set budgets for all child care programs for 1999/2000 based on a 1.5% salary increase across the board, and a maximum 3% increase in family fees.

Continue to recognize that salaries will need to be increased even further if child care programs are going to be brought into line with Evergreen's new job classification system and salary grid.

4. Ensure that child care staff fully utilize the professional development funds available to them according to Evergreen's professional development policy.
5. Develop a collaborative relationship with the local Community Centre around school-aged child care program development.

Longer Term (1999/2000 to 2001/2002)

6. Work with the Board and senior staff of Evergreen Community Services to create an endowment fund dedicated specifically to child care operating costs.

This new revenue stream will be committed to increasing salaries, meeting the requirement for an increase in the administrative allocation % if required, keeping increases in family fees as close to the inflation rate as possible, and ensuring an overall financially balanced position.

7. Work with the Board and senior staff of Evergreen Community Services to expand community fund raising dedicated to ensuring families can afford our child care fees through an internal subsidy program, and to developing new child care programs.
8. Work with the Child Care Advisory Committee to establish stronger relationships with the Ministry for Children and Families and the City's Board of Parks and Recreation.

The objective would be to advocate for increased Provincial government support in the longer term, and to build political support for a collaborative approach to school-aged child care program development.

The basic numbers for 1999/2000 would look as follows.

	Revenues	Expenditures	Surplus/Deficit
Cheshire Cat (I/T)	297,885	310,320	<12,435>
Walrus (3-5)	175,099	174,569	531
Queen of Hearts (3-5)	160,768	166,328	<5,561>
Mock Turtle (Preschool)	60,100	52,583	7,517
White Rabbit (Preschool)	54,091	52,636	1,455
Alice (School Aged)	48,816	47,754	1,061
TOTAL	796,758	804,191	<7,432>

9.

FOLLOW UP

Once the action plans and related responsibilities and timelines are agreed upon, it will be important to develop a monitoring and follow up plan.

Consider the following suggested plan:

- Brief, monthly status reports to the financial planning "team", and others who are interested, for the first 6 months of the plan's implementation
- After 6 months, a full team meeting to review achievements to date, identify issues or problems arising, and revise the plans and timelines as required (with appropriate approvals in place)
- Brief, quarterly status reports to the team and others, through to the end of the first year of implementation
- At the end of year one, another full team meeting to again review accomplishments, and revise plans as necessary.

If you have developed your financial sustainability goals in a way that progress towards them can be measured, the six months and one year reviews will be easier, and more productive.

10. Lessons From Using The Workbook

The underlying issue is that child care organizations need to pay serious attention to financial sustainability issues.

This workbook was pilot tested with three different non profit organizations that deliver child care programs. It is worth summarizing some of the lessons learned from these experiences.

- People decide to begin a financial planning process for child care programs for many different reasons, for example:
 - new unforeseen expenditures create worries about future financial sustainability
 - the organization can no longer make the same contributions to subsidizing child care programs
 - enrolment patterns shift significantly
 - there are on-going and persistent program deficits
 - financial management processes are not effective, and do not fit the philosophy of the organization.
- Through the financial planning process, people may well find that the real financial challenges are quite different from earlier perceptions. In other words, expect surprises.

- The initial meeting to get the process started is critical in bringing people on side, and setting goals for the planning process. Outside facilitation of this first meeting helps.
- Gathering the necessary information takes more time than many people think. The information eventually required may be more specific and detailed than early perceptions would suggest. You may need outside expertise to assist in asking the right questions, or in finding ways to present the information so that people can understand it.
- Bringing into the financial planning process a peer from another child care organization can help in ensuring that provocative questions are raised, and in adding different experience and ideas to the process.
- Along the way, much learning will occur about financial terms, frameworks, processes, and challenges.

WORKSHEETS

4. My hopes for the financial planning process are:

Worksheet III

Calculating Annual Deliverable Child Care Hours

There are a number of ways in which child care programs can develop a measure of the total services they produce in a year.

- The annual average enrolment in full-time equivalent children, multiplied by the number of hours that the child care program is open throughout the year, works when there is consistency throughout the year. In many situations, however, average enrolments are impossible to calculate.
- Each day, a child care program could take an accurate count of the number of child care hours delivered. These could be totalled up over the year. However, most child care programs do not track this level of detailed statistic.
- A compromise that we have found useful is the annual deliverable child care hours.

This is based on using the staffing schedule for a typical day, and calculating the maximum number of child care hours that could be delivered on the day given that staffing schedule. Multiplying by the number of days that the child care program is open, then gives a measure of the annual figure.

In some cases, particularly in school-aged child care, there will be several typical days during the year.

The next page contains a worksheet to help you calculate the deliverable child care hours in a particular day. The following page contains an example.

Calculation Of Annual Deliverable Child Care Hours

Time	Staff No.1	Staff No. 2	Staff No. 3	Staff No. 4	Staff No. 5	No. of Children
07:00						-----
07:30						-----
08:00						-----
08:30						-----
09:00						-----
09:30						-----
10:00						-----
10:30						-----
11:00						-----
11:30						-----
12:00						-----
01:00						-----
01:30						-----
02:00						-----
02:30						-----
03:00						-----
03:30						-----
04:00						-----
04:30						-----
05:00						-----
05:30						-----
06:00						-----
TOTAL						-----

Worksheet IV

Building A Picture Of The Past Three Years

	Year 1	Year 2	Year 3	% change from first year to the last
<i>Program Statistics</i>				
Licensed Capacity	-----	-----	-----	----- %
Avg. Enrolment (FTE's)	-----	-----	-----	----- %
Annual Deliverable Child Care Hours	-----	-----	-----	----- %
Direct Service Staff (FTE's)	-----	-----	-----	----- %
Monthly Fees Full-time	-----	-----	-----	----- %
Monthly Fees Part-time	-----	-----	-----	----- %

	Year 1	Year 2	Year 3	% change from first year to the last
--	--------	--------	--------	---

Revenues

Total Fees	\$ _____	\$ _____	\$ _____	_____ %
% of Total Revenues	_____ %	_____ %	_____ %	
Government Contracts Or Grants	\$ _____	\$ _____	\$ _____	_____ %
% of Total Revenues	_____ %	_____ %	_____ %	
Fundraising	\$ _____	\$ _____	\$ _____	_____ %
% of Total Revenues	_____ %	_____ %	_____ %	
Child Care Management Contribution	\$ _____	\$ _____	\$ _____	_____ %
% of Total Revenues	_____ %	_____ %	_____ %	
Other	\$ _____	\$ _____	\$ _____	_____ %
TOTAL REVENUES	\$ _____	\$ _____	\$ _____	_____ %

	Year 1	Year 2	Year 3	% change from first year to the last
--	--------	--------	--------	---

Expenditures

Human Resources	\$ _____	\$ _____	\$ _____	_____ %
-----------------	----------	----------	----------	---------

% of Total Exp.'s	_____ %	_____ %	_____ %	
-------------------	---------	---------	---------	--

Program Costs	\$ _____	\$ _____	\$ _____	_____ %
---------------	----------	----------	----------	---------

% of Total Exp.'s	_____ %	_____ %	_____ %	
-------------------	---------	---------	---------	--

Facility Costs	\$ _____	\$ _____	\$ _____	_____ %
----------------	----------	----------	----------	---------

% of Total Exp.'s	_____ %	_____ %	_____ %	
-------------------	---------	---------	---------	--

Administration	\$ _____	\$ _____	\$ _____	_____ %
----------------	----------	----------	----------	---------

% of Total Exp.'s	_____ %	_____ %	_____ %	
-------------------	---------	---------	---------	--

Other Exp.'s	\$ _____	\$ _____	\$ _____	_____ %
--------------	----------	----------	----------	---------

TOTAL EXPENDITURES	\$ _____	\$ _____	\$ _____	_____ %
--------------------	----------	----------	----------	---------

Financial Sustainability For Child Care Organizations

	Year 1	Year 2	Year 3	% change from first year to the last
Surplus/Deficit	\$ _____	\$ _____	\$ _____	
Revenues Per FTE Enrolled Child	\$ _____	\$ _____	\$ _____	_____ %
Revenues Per Deliverable Child Care Hour	\$ _____	\$ _____	\$ _____	_____ %
Expenditures Per FTE Enrolled Child	\$ _____	\$ _____	\$ _____	_____ %
Expenditures Per Deliverable Child Care Hour	\$ _____	\$ _____	\$ _____	_____ %

Worksheet V

Looking At The Current Annual Financial Picture

Revenues Year _____

Fees

Parent Fees	\$
Government Fee Subsidies	\$
Fee Portion of Special Needs Contracts	\$
TOTAL FEES	\$

Government Support

Municipal	\$
Provincial	\$
Federal	\$
TOTAL GOVERNMENT SUPPORT	\$

Other Revenues

Program Specific Fund Raising	\$
Child Care Management Contribution	\$
Interest And Investment Incomes	\$
Miscellaneous Income	\$
TOTAL OTHER REVENUES	\$
TOTAL REVENUES	\$

Expenditures

Human Resources

Salaries (direct child care services) ¹	\$
Benefits (direct child care services)	
Professional Development	\$
TOTAL HUMAN RESOURCES	\$

Program Costs

Food	\$
Supplies	\$
Field Trips	\$
Transportation To/From School	\$
TOTAL PROGRAM COSTS	\$

Facilities

Rent/Mortgage	\$
Utilities	\$
Maintenance and Janitorial	\$
TOTAL FACILITIES COSTS	\$

Administration

Insurance	\$
Office Supplies	\$
Overall Administration Charges	\$
Child Care Management	\$
TOTAL ADMINISTRATION COSTS	\$

¹ It may be useful to break these numbers down into more detailed categories.

TOTAL EXPENDITURES \$

Surplus/Deficit \$

Revenues Per Deliverable Child Care Hour \$

Expenditures Per Deliverable Child Care Hour \$

4. What processes are used to ensure that all revenues (for example: fees) are collected?
Who has responsibility for these processes?
What is the organization's policy on bad debts?

5. Are the organization's financial policies and procedures:

Documented?

Widely shared and understood?

Consistently followed?

Periodically reviewed?

6. What are the other internal control processes that the organization uses?

Worksheet VII

Assessing Current Financial Management Processes

Our child care programs meet these financial management standards:

Fully Partially Not At All Do Not Know

- There is a long term financial plan to ensure:
 - achievement of the mission, purpose, and vision
 - organizational and program stability and independence
 - adequate resources for the organization's programs and activities.

- There are policies and procedures in place to ensure assets (buildings and equipment) are protected.

- Financial management is carried out in accordance with standard accounting principles and practices.

- Internal financial control systems protect:
 - Staff
 - Board
 - Society members
 - Families

Our child care programs meet these financial management standards:

Fully Partially Not At All Do Not Know

- Financial policies and procedures are:
 - documented
 - widely shared and understood
 - consistently followed
 - periodically reviewed.

- Financial management authorities and responsibilities are clearly decentralized to staff and managers.

- There is an external annual financial audit.

- The covering letter from the auditor, which accompanies the audited statement, has no qualifications.

- Financial reserves are established for:
 - operating contingencies
 - capital contingencies
 - program research and development
 - innovation.

- Staff and staff teams are encouraged to seek and implement cost savings while protecting quality.

- Functions are considered for contracting out where efficiencies can be gained and the approach is consistent with the overall organizational objectives.

Our child care programs meet these financial management standards:

Fully Partially Not At All Do Not Know

- Annual budgets reflect a consolidated organizational picture.
- Annual budgets reflect organizational priorities and strategic directions.
- Costs are regularly compared against sector and community standards:
 - wages and benefits
 - administrative costs
 - program costs
 - outcome costs
 - capital costs.
- Revenues are diversified:
 - government
 - fees and other earned income
 - community fund raising.

Worksheet VIII

Assessing Current Financial Sustainability Strategies

Our child care programs meet these sustainability strategies:

Fully Partially Not At All Do Not Know

- Make sure that the mortgage or rental costs are contributed in kind, and that on-going maintenance costs are low. Negotiate responsibility for major capital improvements.
- Ensure consistently high levels of enrolment by assessing community need, choosing the location carefully, developing a quality program, and marketing the program widely and consistently.
- Be careful about other competitors in the nearby community.
- Confirm the organization's commitment, and capacity, to absorb program deficits.
- Test out the community's commitment to providing in kind and dollar contributions.
- Avoid including additional services unless they can be fully paid for.

Fully Partially Not At All Do Not Know

- Check out carefully staffing schedules with other child care programs.
- Ensure that government support will be available.
- Build in two year operational start up funds as enrolment patterns can take that period of time to reach potential.
- Be as creative as possible about alternative forms of revenue.
- Set up a management information system to track client numbers and enrolment patterns.
- Provide clear information to parents about the full costs of care.

Appendices

Appendix I

Capital Financial Planning Checklist

Capital financial planning covers major expenditures such as: buying a new building, renovating a child care facility, acquiring new pieces of larger equipment, and, perhaps, establishing an endowment fund. Typically, these can be projected several years ahead, and planned for over the longer term.

Here are some suggestions to consider.

- Create a capital assets committee that will pay attention to longer term planning for capital requirements. The committee might include parents, as well as staff and board members.
- Each year, review the capital assets of your child care programs. Many organizations do this as part of their annual insurance review process. Develop, and keep updating, a three year plan for capital improvements, including projected costs.
- Consider committing to an annual operating budget which sets funds aside, each year, to build a capital reserve. This is a protected fund to be used in later years for major capital purchases or renovations.
- Consider a special fund raising appeal, each year or every three years, to add to the capital reserve. Some funders (for example: foundations and service clubs) prefer to donate money for capital purposes.
- Keep an up to date inventory of all potential funding sources for capital projects.
- Do not get caught by surprises. Pay attention to capital requirements. Plan ahead.

Appendix II

FURTHER RESOURCES

VCCRDMPP

Lynell Anderson & Gavin Perryman, Infant And Toddler Child Care Financial Analysis Pilot Project, Vancouver Child Care Regional Delivery Models Pilot Project, February, 1997

Lynell Anderson & Gavin Perryman, School Aged Child Care Financial Analysis Pilot Project, Vancouver Child Care Regional Delivery Models Pilot Project, December, 1997

Lynell Anderson & Gavin Perryman, 3-5 Group Child Care Financial Analysis Pilot Project, Vancouver Child Care Regional Delivery Models Pilot Project, February, 1997

Lynell Anderson & Gavin Perryman, Child Care Financial Analysis Pilot Project Final Report, Vancouver Child Care Regional Delivery Models Pilot Project, January, 1998

Gavin Perryman & Colleen Croft, Child Care Programs: Trends And Change Forces At Play, Vancouver Child Care Regional Delivery Models Pilot Project, March, 1997

Vancouver Child Care Regional Delivery Models Pilot Project, Child Care Profile And Demographics Form: Community, Programs, And Clients, 1998

These reports are available from Westcoast Child Care Resource Centre, Child Care INFORM Program.

Westcoast Child Care Resource Centre, Child Care INFORM

INFORM Guide: An Administration Manual For Non-Profit Child Care In
B.C., Chapter 9, 1994

Various fact sheets and additional print resources (for example:
Bookkeeping And Accounting Services, Collecting And Processing
Child Care Fees, And Internal Control Systems For Child Care)

Other

Board Staff Handbooks For Women's Organizations, Finance,
Women's Secretariat, Saskatchewan, 1994

Nancy Draper, Workbook For a Financial Policies And
Procedures Manual For Human Service Organizations, Family
Space Quinte Inc. (1-800-952-2279)

Alix Granger, Financial Management For Nonprofit Community
Groups, Volunteer Vancouver, 1992

Robert Krit, The Fund-Raising Handbook, Kendall/Hunt, 1993

Gavin Perryman, Social Auditing For Voluntary Organizations,
Perryman Publications, January, 1998

Frederick Turk & Robert Gallo, Financial Management Strategies
For Arts Organizations, American Council for the Arts, 1984

United Way Of The Lower Mainland, Internal Control Self-Audit
For Not-For-Profit Organizations

Appendix III

Budgeting Processes For Child Care Programs

We all plan.

Budgets are plans for our finances.

Budgeting is essentially developing a financial plan for the next year. Budgets, once approved, may also provide the authority to make decisions regarding expenditures.

Sound budgeting processes are generally based on the following principles:

- the budget is developed in sufficient time that everyone can participate in its development
- the budget is approved by the Board, prior to the beginning of the fiscal year
- the budget flows out of an annual planning and priority setting process for both programs and the organization as a whole
- the budget reflects these annual goals and priorities
- the budget is consistent with the longer term financial goals and strategic issues of the organization
- the budget belongs to the organization, and is not driven by funders

- potential revenues and expenditures are projected conservatively
- program budgets are consolidated into an overall organizational budget
- the Board sets guidelines and financial goals for the budget prior to the budgeting process
- major capital requirements are reflected in a separate capital budget
- cash flow requirements during the year are considered, perhaps in a separate cash flow budget
- budgets are designed so that they provide benchmarks for monthly monitoring of the financial situation.

Put simply, an operating budget tells the story of what your program is going to do for children, families, staff, and the community in the language of money. It expresses an organization's goals in financial terms. Activities included in the budget should reflect the long term goals of the organization.

(INFORM Guide: An Administration Manual For Non-Profit Child Care In B.C.)

Here is a suggested process for developing a budget for a child care program.

1. Gather all of the information that you will need for budgeting.
 - This year's budget
 - The most up to date financial information for this year
 - A projected annual financial picture to the end of this year
 - This year's statistics on enrolment
 - Planned program changes for next year
 - Projected inflationary increases in expenditures for next year
 - Projected increases in salaries and benefits
 - Projected major changes in revenues and expenditures

2. Clarify the assumptions you want to make for next year regarding enrolments. This is essential as fees are likely your largest revenue source. Look at:
 - the numbers of children expected each month on the basis of this year's experience
 - the numbers of children expected each month given marketing and planned program changes.

3. Using a version of Worksheet V (page 109), project a budget for next year based on this year's program operations and financial results, and on planned program changes.

Complete a budget for each month, and then for the year as a whole.

- Keep revenues flat (for example: no fee increases).
 - Increase expenditures to reflect the assumptions for next year.
 - If the budget does not balance, list the possibilities for increasing revenues and reducing expenditures.
-
4. Looking at the budget developed so far:
 - make sure that the projected budget fits the longer term financial sustainability goals
 - identify strategies for ensuring a balanced budget, and meeting the financial sustainability goals
 - be careful that proposed program changes are not easily jettisoned so as to balance the budget
 - redraft the budgets accordingly
 - avoid balancing the budget by putting in unrealistic revenue projections.

Appendix IV

REVENUE POSSIBILITIES FOR CHILD CARE PROGRAMS

Here are the ideas we know of. Part of financial sustainability is constantly seeking new revenue opportunities.

Government

Federal HRDC Summer Student Placement Programs
Parent Support Project Programs

Provincial Compensation Contribution Program
Supported Child Care
Parent Support Funding Programs
Gaming
Emergency Repair
Student Summer Works

Municipal Grants

Earned Income

Fees Child care fees (parents and government subsidies)
Parent fines and charges
Membership and registration fees
Fees for additional programs (for example: tours,
practicum placements, and parent education
programs)
Consulting fees
Training fees

Investments Short term
 Term deposits
 Endowment funds

Facility Filming
Rentals Other community programs

Community Fund Raising

Charitable Foundations
Organizational United Ways
Support Service Clubs
 Employee Trust Funds

Special Events

Mail Campaigns Friends
 Alumni

Individual Donations

Corporations Gifts
 Sponsorships
 Partnerships

In Kind Tangible items
 Volunteer time