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Business Plan

For I know the plans I have for you,” declares the Lord, “plans to prosper you and not to harm you, plans to give you hope and a future. (Jeremiah 29:11)



Realistic revenue projections and a sound spending plan are necessary to operate an effective ECM within a congregational ministry.

As plans for the ECM develop a major reality is the following:

Bills need to be paid!

Unless there is a congregation subsidy or other outside sources of income, the tuition and fees charged will have to cover the ongoing obligations incurred for salaries, rent/mortgage, supplies, equipment, and other materials. That's why a strong business plan is a necessity for an ECM.

Think of the ECM's business plan as a financial road map. The ECM is about to embark on a long and somewhat complicated journey. The business plan tells all the destination and provides the directions to get there. It provides check points to confirm the right roads and indicates how long the trip is going to take. It outlines how much the trip is going to cost and defines who is driving.

THINK ABOUT IT

Your business plan is an important document you'll prepare for convincing others that your concept for an ECM is credible.

Everything done within the ECM will in one way or another influence the ECM's financial operations. It is imperative that the ECM director or a dedicated individual is committed to and has the ability to deal with the financial matters of the ECM.

Ultimately, the business plan will influence the ECM's:

- initial conception
- task force investigation
- preliminary planning
- initial development
- conceptual approval
- mission approval
- financial approval
- funding commitments

- final planning
- implementation of plan
- opening
- ongoing support

The lack of a credible, detailed business plan will make each of these steps in the development of the ECM more difficult. Missing any one of these steps could either diminish or doom the ECM's potential.

Before moving into the elements of a business plan for the ECM, always remember:

THINK ABOUT IT

The most important facet in your ECM's business plan has absolutely nothing to do with dollars and cents.

The mission statement is the ECM's most important element (See Chapter 2). Without the proper mission—one that coincides with and supports the congregation's mission—the dollars and cents spent on the ECM are worthless. The ECM's mission statement changes the financial perspective of those viewing your project from "supporting the ECM" to "supporting the mission of the ECM."



Preparing the Business Plan

Congregational Resources

As the ECM business plan is developed, it is important to take stock of available resources. Look beyond the money and materials needed to operate the ECM. They're important resources. But look at the resources God provides his people to do his work—the resources he is providing and will continue to provide the ECM. These resources are:

Staff—director, teachers, aides, lay workers, and volunteers.

Facilities—bricks and mortar, buildings where teachers will teach, rooms where the children will play or gather for special meetings and activities, and outdoor play areas.

People—members of the congregation, children and parents who participate in the ECM, people who support the ECM.

Money—offerings, special gifts, deferred gifts, planned gifts, support from special campaigns and grants.

An ECM can't succeed without these resources. A business plan will help organize and manage them.

While the business plan focuses on one resource (money), it must be viewed as wrapping in the other three (staff, facilities, and people). By recognizing them as resources from God and putting them into the business plan, God is placed into the plan and at the center of the ECM.

Develop Congregational Ownership

As the business plan is developed, many elements will have application to the communication plan. One principle element is ownership.

There is understanding in today's business world those individuals who are to be involved in implementing a plan need to be involved in creating the plan.

There has to be a high level of ownership if there is to be a high level of support.

This holds true in the case of an ECM. People need to get involved, even if it is from the standpoint of having them periodically review the ECM's business plan.

This develops ownership with the pastor, the church's lay leaders, with the ECM's staff, with members of the congregation. If they feel they had a role in developing the ECM's business plan from the outset, then they more likely will support and defend the plan at critical times.

This means in the planning, preparation, and writing of the plan, it is important to get people involved. Develop ministry task forces. Keep everyone informed. Don't leave questions unanswered. Get the people who ask the questions involved in answering them if research is necessary.

Congregational Tasks

Developing support (financial and volunteer) for the ECM within the congregation falls into four basic areas:

1. MINISTRY INTERPRETATION

Share the mission, vision, and plans of the ECM on a regular basis. Place updates in weekly announcements and monthly newsletters. Set up an information booth or table to answer questions between worship services. Offer adult Bible studies to strengthen understanding of the ECM mission.

2. STEWARDSHIP

Work with the congregation's stewardship committee in helping church members grow in their understanding of what it takes to be a faithful steward of all God's gifts. Support gained for the ECM will be amazing—support in the form of church budget commitment and support in the form of volunteers who will help in the planning process.

3. ENLIST WORKERS

As the planning process progresses, enlist members of the congregation to use their God-given talents in specific areas:

- Describe ECM needs
- Identify members who may be able to help
- Recruit members
- Train the recruits
- Assign specific tasks to the volunteers
- Support them as they go about their tasks
- Express appreciation for their work

4. FINANCIAL ENLISTMENT

Secure congregational financial support for the ministry of the ECM. This should lead to an annual budgetary commitment from the congregation and the possibility of individual support from members the church in the form of commitments, special gifts and bequests.

Congregational Support

In the initial phases of an ECM, expenses may not be covered by operational income. Don't panic! This isn't an unusual situation for any type of start-up enterprise.

Ultimately, what the supporters of your ECM are looking for in the business plan is a realistic projection of finances. If the ECM requires subsidy from the congregation for the next several years before becoming self-sustaining, they need to know how much support is needed and for how long. They need to have confidence in the estimates. If the ECM will require continual congregational support, they need to know that too. Ultimately, the congregation needs to know the impact the operation of the ECM will have on the overall congregational budget. By having an accurate and complete business plan to present to the congregation, they can more readily appreciate the level of financial commitment the ECM is seeking. Then they can better evaluate whether they're ready to make such a commitment. While the business plan will project the income and expenses

of the ECM, it will most likely require subsidy from the congregation—congregational stewardship—at least for the first several years of operation.

Third-Source Income

SPECIAL GIFTS

A number of potential (or previous) supporters of the ECM may be willing to give a one-time or a reoccurring gift. These supporters may be parents of current or previous students or congregational members with a special desire to support children's ministries. Be specific about what needs. List needs in the congregation's weekly or monthly newsletter. Tell the members why donations are needed and how these gifts will help support the ECM. Create a concrete aspect of gift-giving. (We need a set of Bible story books at \$25; three tricycles at \$120 each; a piece of climbing equipment costing \$1200; a set of unit blocks at \$400.) Gifts of cash and some non-cash items are tax deductible. Acknowledge all gifts with a receipt and a thank-you letter.

FUND RAISING

Fund raising should not be viewed as a substitute for Christian stewardship. Make sure established congregational policies regarding fund raising activities are used. Avoid the exploitation of children, parents, and friends as fund raising activities are planned. It is not appropriate to expect children or adults to go from door to door selling goods or services.

When choosing a fund raising activity, consider available people power, the interests of constituencies, timing, target groups, needed up-front money, and the relationship of the activity to program goals.

Thank all of those who worked on any project that raised money for the early childhood program.

FRATERNAL ORGANIZATIONS

When the ECM has a special event, matching funds are frequently available from organizations such as Thrivent. Check with Thrivent to find out who the congregational representative is and see what matching funds might be available.

GRANT PROPOSALS

A number of foundations have grant monies available for worthy causes including ECM's. The key to obtaining grants is research, research, research.

First organize a grant proposal committee. Include on that committee at least one person with writing skills and one person with the time to research foundations. Impress upon the committee members that this is a long-term commitment on their part. It is also a year-round commitment.

The grant proposal committee will be faced with a good deal of up-front work which may take six to eight weeks of dedicated effort. Once the preliminary foundation research is completed and the first grant proposal is written, the work becomes more routine. But the efforts of the committee still have to be fully coordinated. The major hurdle is selecting dependable grant proposal committee members expecting a good deal of specialized effort.

A trip to local businesses, library or online resources is in order once the committee is formed. A number of books listing benevolent foundations exist and the ECM's grant proposal committee will have to review them all.



These books will list existing foundations by

- name of foundation
- address of the foundation, phone number, and contact person (if identified)
- types of grants they award (educational, religious, etc.)
- number of grants they award per year
- average dollar amount of their grants
- time of year grant proposals are submitted
- to whom they are to be submitted
- in what format they are to be submitted (letter, narrative, both, etc.)

Once the ECM's grant proposal committee has conducted its foundation research, their efforts have to be directed to organizing the data they have found. It is at this point that foundations will be targeted for grant proposal submission, a timetable will be developed for submitting the grant proposals and the specific grant amount to be requested from each foundation will be identified.

GOVERNMENT SOURCES

Families are eligible for support through a variety of federal and state-supported programs. The WELS district early childhood coordinator, district school coordinator, and the directors for the Commission on Lutheran Schools may provide information about social service programs to assist families who attend the ECM.

DEFERRED GIFTS

Quite often individuals will want to thank the Lord for the blessings he has given them. They may do this in the form of deferred giving and estate planning. There may be members in the congregation motivated to support the ECM in such a way. The congregation can arrange to have a Planned Giving Counselor work with members to establish such gifts.

MEMORIALS

Families and individuals may want to contribute to a memorial fund in memory of a loved one or in honor of a special person still living.

Ongoing Income and Expenses

Here's where "the rubber hits the road." The preparation of a one-year and three-year analysis of the projected income and expenses will determine support required from the congregation and the level of third-source income. Provide as much detail as possible in this portion of the business plan. Create forms or purchase computer software from a local office supply.

INCOME ITEMS

A One-time or Yearly Registration Fee

This fee is generally used to secure a space for the child who is enrolling. It may also be used for consumable supplies. Survey other early childhood programs in the area to see if such a fee is charged and what amount is reasonable. Determine both the minimum and maximum number of children projected to enroll in the ECM each semester or year. The dollar amount appearing on projected statements of income and expenses will be the number of expected children to enroll multiplied by the amount of the individual registration fee.

Tuition

This will be the number of children expected to enroll multiplied by the amount of individual tuition. It is important to research the tuition rates in the community to help determine a tuition amount.

Activity Fees

Circumstances create the dollar amount of this fee. This may be a separate charge or part of the fee.

Lunch Fees

Multiply the number of children by the dollar amount of the fee.

Third Source Income

The dollar amount received from other sources.

EXPENSE ITEMS

Salaries

ECM salaries might be daily, weekly, monthly, or yearly amounts. Wages are hourly amounts paid to employees. For detailed information about called workers' salaries, contact WELS Synod offices for a copy of the called worker salary schedule as published by the WELS Book of Reports and Memorials. Contact the State Department of Labor for laws regarding wage and labor standards.

Retirement/Disability/Survivor/ Health Insurance

Contact WELS VEBA for current information on the enrollment rights of all WELS workers both salaried and hourly paid:

WELS Benefit Plans Office
N16W23377 Stone Ridge Dr.
Waukesha, WI 53188
Telephone: 414-256-3860
Fax: 414-256-3879

Social Security and Medicare Tax

Professional Publications

Licensing and Accreditation Fees

Continuing Education/Workshops/Conferences

Equipment, Furniture, Materials and Supplies (classroom, office, and janitorial)

Rent/Mortgage/Utilities (if applicable)

Insurance—Property and Liability, Workmen's

Compensation

Marketing

Food

Start-Up Expenses

Facility

Seek to provide the best facility that will help ensure a high quality ECM. The amount of remodeling required to meet state requirements or monies necessary to build a new facility determines needs to put into a financial plan necessary to create a suitable environment. Contact the local Building Department for building codes and state or county licensing agency for their requirements and on site analysis. Seek to meet or exceed state license standards to create a high quality facility.

Equipment

The goal is to provide high quality, safe, sturdy, equipment for young children. Include furniture, storage, shelving, playground equipment, office and kitchen needs in the start-up plan. (See Chapter 9—ECM Environment)

Licensing Fees

Contact the state and county social service agency to determine fees necessary to license and operate an ECM.

Insurance

Be sure to ask what additional insurance costs are necessary to begin the ECM and have details contracted before enrolling students. In many cases a rider can be added to the church's policy.

Marketing

Money is well spent to market the congregation's ECM. Technology is an important part of marketing. Consider creating a website and using social media. Develop a brochure, business card, and parent handbook prior to enrolling families. Using the same logo on all printed materials creates a visual image of the ECM. Consider mailing information to the surrounding community. A well designed sign is an effective tool to promote the ECM.

Administrator's Salary

Three to six months of effective, efficient planning is usually done by a trained early childhood administrator before a congregation's ECM opens to serve families. Include the administrator's part-time or full-time salary.

Tax-Exempt Status

A church-operated ECM ministry qualifies for a tax-exempt status. Use the congregation's number or make application by contacting the nearest Internal Revenue Service office.



Financial Planning Funding Formula

When an existing congregation decides to serve families through an ECM ministry, it must determine how the program will be funded. A group of congregational members from areas of stewardship, finance, education, and the administration might be those who initiate and carry out the funding formula.

The congregation's funding formula is the plan by which members intend to provide the annual funds needed to meet the financial needs of the ECM. Use the following steps to develop the funding formula.

1. **Determine the amount of actual income from each income source.** Determine the percent of the total income to be received from each source. Create a chart similar to the following. Add additional lines for third source income if needed.
2. **Prepare a tentative funding formula for the next five years.** For each income source, estimate the percentage of increase or decrease that is desirable, possible, and practical. Determine whether additional funding sources can be developed during those years. Then develop a graph to project the funding formula for the next five years.

3. **On the basis of the five-year plan, project a funding formula for the next school year.** Indicate the percent of the total for each income source. This procedure will help to ensure financial details are carefully covered.

INCOME SOURCE	AMOUNT OF INCOME	PERCENT OF TOTAL
CONGREGATION INCOME:		
TUITION AND FEES:		
THIRD SOURCE INCOME:		
TOTAL:		100%

Detailed Continual Planning

Develop a financial plan and program simultaneously in line with the mission of the organization. Each affects the other. Keep a continual dialog between the administrator, governing board, and congregation's financial secretary. Give careful study to every line item in the expense account. Base dollars entered for each item on accurate data and calculations for both income projections and expenses.

Time Line

Begin the ECM's financial planning soon enough to fit into the budget planning schedule of the congregation (whether the fiscal year begins in January or July). Following is a sample schedule. If the congregation needs to borrow funds, it is advisable to prepare a loan application along with this process.

At least 8 months prior to the fiscal year begin the following process

- Develop enrollment estimate
- Project staff needs
- Consult with budget committee/discuss congregational support
- Determine program plans/needs for next year
- Complete funding formula for next fiscal year
- Prepare budget proposal rough draft
- Approve updated salary schedule
- Determine specific amounts for facilities, equipment, supplies based on projected enrollment
- Finalize congregation's support of ECM
- Submit final budget for approval

Balanced Financial Plan

Enrollment will fluctuate due to changes in families' work situations and their geographical relocation. Develop a financial plan that can be fully met with less than 100% enrollment. Call the local child care licensing department for the average vacancy rate in the area. Budget income conservatively and expenditures more generously to cover unexpected cost increases.

Determine Fees

Remember the ECM is a ministry in proclaiming the Gospel message to families and their young children. Establish fees similar to other programs in the community. Consider providing tuition assistance for those in need. A funding formula helps determine the registration and tuition fees to ensure financial stability within the first few years of the ECM's operation.

Financial Plan Format

The following chart lists the items usually found in a financial plan for an ECM and the approximate percentages for each item. Line items for the plan may vary according to your program needs. Enter the percentages for income sources from the funding formula.



Suggested Financial Plan Guidelines for an Early Childhood Program

Income	Congregation: As an integral part of the congregation’s mission, the ECM will be provided funds from the congregation’s budget and members will be encouraged to provide additional support.	
	Tuition and Fees: A registration fee is usually collected before a child is accepted into the ECM and is used for securing enrollment and consumable supplies. Registration fees usually equal about 2% of projected income. Determine tuition rates on needed income and the average rates charged by other community programs.	
	Third Source: The largest source of income usually comes from tuition and fees collected. Additional funding may be needed.	
	Total	100%
Expenses	Salaries and Benefits: Salaries for staff members include Social Security, Medicare, benefits and substitute pay. Contact Synod Offices for salary and benefit guidelines.	
	Continuing Education: Educational classes or courses for professional growth, workshops, conferences, conventions, seminars.	
	Facility Operation/Maintenance-Utilities/Janitorial: Expenses not covered by the congregation.	
	Pre-Employment (if applicable): Costs of physicals, medical tests, clearances prior to employment.	
	Equipment: Indoor and outdoor furniture/equipment, maintenance and repairs.	
	Educational Supplies: Consumable and non-consumable supplies for teaching/learning	
	Administrative Supplies: (Consumable supplies for office)	
	Food: (Determined by number of meals and snacks per day per child)	
	Transportation: (Mileage for home visits; field trip costs)	
	Insurance: (Property, liability, workman’s comp and student accident insurance)	
	Marketing: Websites, signs, ads, postage, paper and printing of all publicity for ECM	
	Professional Dues: (Membership in professional educational organizations; journals)	
	Lost Income: (A number do not or cannot pay fees)	
	Miscellaneous	
	Contingency Fund: (Covers necessary expenses if enrollment drops or facility unexpectedly closes)	
Total	100%	

Presenting the Financial Plan for Approval

At the same time the congregation's budget is to be approved, present the ECM's financial plan as an addendum or include it in the line items of the congregation's budget. Follow the steps necessary as outlined in the congregation's constitution. The following three ways are commonly used to financially manage an ECM:

1. The congregation's treasurer manages all financial aspects of the ECM and incorporates it into the church budget.
2. The church treasurer and ECM administrator cooperatively manage the ECM finances. The treasurer pays salaries and the administrator handles all other finances.
3. The board finance keeper manages all finances cooperatively with the church treasurer and the administrator.

No matter which procedure used, three criteria must be followed for security, efficiency, and effectiveness.

Security

Follow established rules of bookkeeping/accounting. Establish a system of checks and balances.

- ✓ Check-signing is done by someone other than the person who receives money, keeps financial records or handles petty cash.
- ✓ If the check-signer is also the treasurer of the congregation, two signatures should be required on all checks.
- ✓ Both the church treasurer and a second person reconcile bank statements with financial records.
- ✓ Audits of records are scheduled annually. The congregation's governing body has responsibility to request an audit. Adopt a board policy for a time line and procedure for audit.

Efficiency

Use time wisely and avoid unnecessary paper work and procedures. Computer software is available that helps record and track detailed data about the ECM, families, staff, and financial matters. Professional early childhood publications offer software sources.



Effectiveness

Adopted plans need to provide accurate information to help make wise decisions.

- ✓ Establish a written policy for handling payments at a designated location. The administrator or secretary might receive payments on designated days of the week. Or identify a locked box or slot in a locked office door. **Avoid having teachers handle money or write receipts, so that the parent/teacher relationship is not disrupted.**

- ✓ Provide suggestions for receiving payments
 - Yearly or semester payment
 - Monthly payments the first of each month (consider a discount for payments received on the 1st day of attendance each month)
 - Weekly payments submitted a week in advance.

- ✓ Establish a written financial policy in the ECM and parent handbook that includes handling delinquent payments, dismissal or withdrawal from the program.

- ✓ Create a financial agreement based upon written financial policy. This agreement needs to be signed by the parents and the director. (Cf. Appendix 4.1 Sample Financial Agreement Form or in the Chapter 4 folder)
Remember, whatever the financial agreement is, it will only be effective if it enforced.

- ✓ Decide if cash and/or checks will be accepted. Issue receipts immediately. (Cf. Appendix 4.2 Sample Tuition Receipt or in the Chapter 4 folder) Use duplicate or triplicate copies of pre-numbered receipts. Record incoming funds on a daily basis. Keep a master record of all funds received. (Cf. Appendix 4.3 EC Income or in the Chapter 4 folder) Keep an individual record of payments from each child. (Cf. Appendix 4.4 EC Individual Account or in the Chapter 4 folder)

- ✓ Deposit all funds promptly. Never use un-deposited funds to make purchases. Do not hide cash on the premises unless a locked, fire proof safe for that purpose is available.

Notes

A. Sample Financial Agreement Form

(Name of Early Childhood Ministry – Congregation)

I am the parent or legal guardian of _____ (child's name).

I agree to abide by the requirements written below and the policies set forth in the *Parent Handbook*.

In return for this promise of continual fulfillment of all policies, the early childhood program agrees to provide care for the above named child that meets the standards and guidelines as set forth below and in the Parent Handbook.

The set fee will be in effect until a new agreement is signed by me. This fee per child will be paid in advance (unless other arrangements are agreed upon in writing). I understand that care will not be provided without this advance payment.

I understand that a registration fee of \$_____ is required at the time of registration.

Tuition payments of \$_____ per month will be made by check or money order. Receipts will be given for payments if requested.

A \$_____ late fee will be charged for accounts not paid by the _____ of each month.

If my child is not picked up at dismissal of the class, I will pay the required late fee.

I understand that there is no automatic reduction of fees when my child is on vacation or gone from the early childhood center for any other reason.

I understand there is a returned check fee of \$_____.

When withdrawing a child from the early childhood program, written notice to the director is required four weeks in advance. If four weeks advance notice is not given, I will pay tuition four weeks from the time the notice is given.

Parent/Guardian Signature

Date

Director's Signature

Date

For Office Use Only

Effective date: _____ Tuition/month: \$ _____

Hours/days of attendance: _____

(Adapted from The Ultimate Guide to Forms for Early Childhood Programs)

B. Sample Tuition Receipt

Child's Name _____

Tuition received for the _____ week _____ month of _____

Amount of tuition received \$ _____

Paid by _____

Received by _____ Date received _____

Child's Name _____

Tuition received for the _____ week _____ month of _____

Amount of tuition received \$ _____

Paid by _____

Received by _____ Date received _____

Child's Name _____

Tuition received for the _____ week _____ month of _____

Amount of tuition received \$ _____

Paid by _____

Received by _____ Date received _____

Child's Name _____

Tuition received for the _____ week _____ month of _____

Amount of tuition received \$ _____

Paid by _____

Received by _____ Date received _____

D. EC Individual Account

Name _____						
Program _____						
Enrollment Date _____						
Charge	Amt. Paid	Check #	Date Paid	Balance Due	Credit	Next Payment Due