Family Child Care & Debt Services

Family Child Care & Debt Services
8365 Emerald Ln. W.
Westland, MI. 48185

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1.0 Executive Summary

FCCDS will provide Computer Literacy Training, Job Readiness Preparation & Resume Writing, Debt Counseling & Settlement Assistance, and Child Care Services.

Computer Literacy Training

As has become increasing apparent in recent years, many middle-aged men and women have had little to no exposure to the computer since its inception a relatively few years ago. Many adults cannot perform many of the basic functions that have become so common with the younger generation. As society becomes more and more advanced, the need for computer literacy is increasing in priority to many in the "baby-boomer" generation. These days, nearing all of your business can be handled with a robe and house shoes on. Everything from banking and bill paying, to researching that one ingredient you can't remember in your favorite dish, to finding your "new husband" or managing your personal finances. Many have developed their own Internet Businesses from there home using this medium. It all starts with learning more about that little used "device" sitting in many middle-aged Americans homes. We can help it that…

Job Readiness Preparation

This area covers interviewing skill enhancement, resume construction, job leads and career coaching. Using many search engines and contacts, we can assist clients with preparing and re-entering the job market.

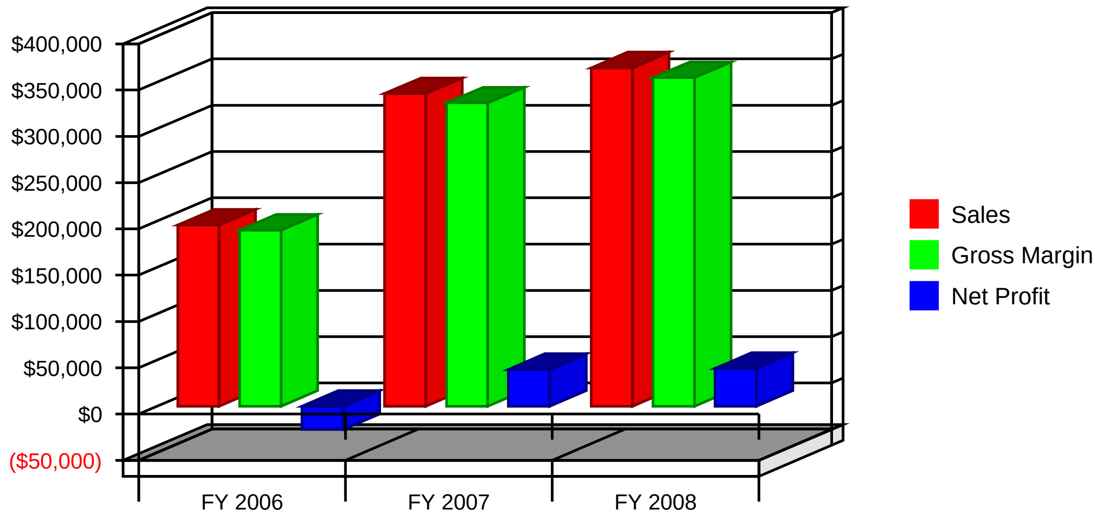
Debt Counseling & Settlement Assistance

This is an obvious need in any area of the country that one would care to look. Everyone has those credit card bills or those college loans or many just extended themselves a little too far last Christmas, and would like to consolidate. Our program would allow them to pay one monthly installment to our corporation, who would then negotiate in their behalf to garner them the lowest interest rate for there high interest loans….for a fee of course…

Child Care Assistance

This service, along with the Debt Counseling, will perhaps be the cornerstones of all of our operations in terms of revenue. Our main focus would be to develop relationships with major companies, (The Big Three for instance) providing day care assistance to their employees. These day care's would be located in the general locality of the plant or organization we would be doing business with. The service would be of no real cost to the company itself, but could be a great benefit and convenience to their employees. This can be extremely lucrative to our organization in terms of over all profits. This will be discussed a little later. It only takes one plant to get our foot in the door. This will establish the creditability we need to target many more.

Highlights



1.1 Objectives

1. Have the child care division up and operating by August 2005.
2. Maintain a raw gross margin above 90% by the end of Fiscal 2006.
3. Open second second location by the end of Fiscal 2006.
4. Begin franchise effort by end of Fiscal 2007.

1.2 Mission

Family Child Care & Debt Services (FCCDS) will offer a wide range of services marketing varying demographics. The company has been formed as an S-Corp, however, we will eventually have several locations. We will still maintain one central facility that will provide all of the services under one roof.

FCCDS will provide four unique services to clients. Computer Literacy Training, Job Readiness Preparation & Resume Writing, Debt Counseling & Settlement Assistance, and Child Care Services. Our company will be set-up with four different sectors, so that each service becomes its own entity, generates profit, and no one sector has to support another financialy.

1.3 Keys to Success

The keys to success for FCCDS are:

- Marketing: differentiating FCCDS's care giving and educational services from traditional daycare offerings and interest activity programs.
- Service quality: care giving and educational programs provided by degreed and certified educators, child care workers, tutors and subject matter industry professionals in a technologically advanced first-class collegiate environment.
- Reputation: maintaining a highly regarded reputation for excellence in care giving, education and community involvement and being the employer of choice in our market for child care and educational talent.
- Profitability: controlling costs and managing budgets in accordance with company goals, adhering to strategic business plans for growth and expansion and reinvesting in the business and its employees.

2.0 Company Summary

FCCDS will be located in Westland, Michigan. Our company will employ six fundamentals that will serve as the driving force for the services offered:

- Premier Care Giving Services
- An Activity Based, Adult Structured Collegiate Curriculum
- Advanced Technology and Developmental Programs
- Trademarked General and "Continuing" Education Mentoring and Tutoring
- Experienced Debt specialists
- Community Advancement and Involvement

2.1 Company Ownership

Family Child Care & Debt Services is a privately-held S-Corporation owned by Duane Carlisle, Camina Carlisle, Phyllis Hardeman, Marilyn Dorrough, and Lynnette Massey.

Once the operation reaches its anticipated growth and profitability goals, we may franchise and will re-register as a limited liability company or as a K- corporation, whichever will better suit the future business needs.

2.2 Start-up Summary

The following table and chart show the start-up costs for Family Child Care and Debt Services

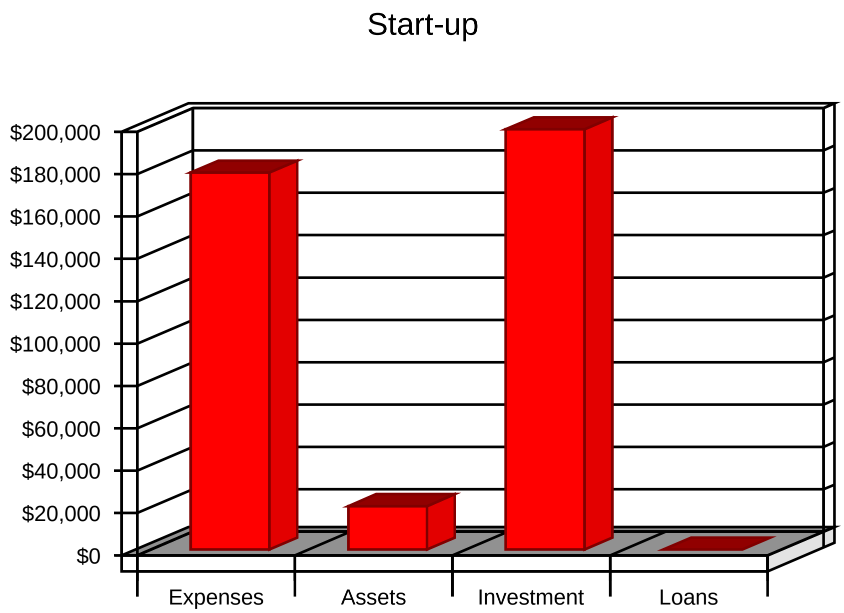


Table: Start-up

Start-up	
Requirements	
Start-up Expenses	
Facility Leasing (One Month Reserve)	$11,000
Day Care Center Licensing Fee	$80
Fire Marshall Evaluation Fee	$150
Health Agency Evaluation Fee	$100
Infant Cribs/Beds	$2,500
Toddler Cots	$750
Infant/Toddler Bedding	$300
Center Decorum (All needed Decorations)	$1,000
Supplies (Paper, Crayons, Paint, Coloring Books)	$250
Materials/Videos/Games/Indoor-Outdoor Jungle Gym	$4,200
Payroll Reserves (Two Weeks based on 400 children and 64 staff)	$131,200
Kitchen Equipment (3 refrigerators/4 microwave)	$3,000
Cleaning/Bathroom Supplies	$250
Rennovation Costs	$5,000
Computer Child Safety Software/Equipment	$5,000
Eight Televisions/VCRs	$2,000
Office Equipment (5 computers, 5 desks, multi function printer)	$7,500
Conference Room Table	$2,200
Legal Fees	$1,500
Total Start-up Expenses	$177,980
Start-up Assets	
Cash Required	$20,000
Other Current Assets	$500
Long-term Assets	$0
Total Assets	$20,500

Total Requirements	$198,480

Table: Start-up Funding

Start-up Funding	
Start-up Expenses to Fund	$177,980
Start-up Assets to Fund	$20,500
Total Funding Required	$198,480
Assets	
Non-cash Assets from Start-up	$500
Cash Requirements from Start-up	$20,000
Additional Cash Raised	$0
Cash Balance on Starting Date	$20,000
Total Assets	$20,500
Liabilities and Capital	
Liabilities	
Current Borrowing	$0
Long-term Liabilities	$0
Accounts Payable (Outstanding Bills)	$0
Other Current Liabilities	$0
Total Liabilities	$0
Capital	
Planned Investment	
Projected Investor 3	
Projected Investor2	
Other Assets Invested	
Additional Investment Requirement	$198,480
Total Planned Investment	$198,480
Loss at Start-up (Start-up Expenses)	($177,980)
Total Capital	$20,500
Total Capital and Liabilities	$20,500
Total Funding	$198,480

3.0 Services

Family Child Care & Debt Services offers upscale child care services and an advanced collegiate based curriculum designed for kids ages birth to 5 months and 1st through 5th grades. Business hours will be based on the needs of the company we are serving. Early drop-off service will be offered as needed.

FCCDS exists to provide Premier child care services that are aimed at enhancing traditional day care methodologies and integrating extracurricular interests (such as arts and crafts, dance, theatre and gymnastics) into one comprehensive program. Our activity based collegiate curriculum is specifically tailored for children and mirrors the arts and sciences taught at centers, universities and vocational schools around the nation. We offer state-of-the-art technology programs in leading-edge facilities which help prepare students for the technology age in which they live. Our general and "continuing" education programs help mentor and tutor students through "main school" homework assignments and provide a base of understanding and interaction to ensure success in future educational endeavors. Finally, our developmental programs reinforce basic social, listening, independence and motor skills and prepare students for future related interaction.

FCCDS will attempt to become an off-site center sponsored by an employer or union. Under this scenario employers usually pay all start-up cost or can negotiate with the child care provider to provide a specified amount of funding for start up expenses, of which could be structured as a loan to the center, repaid in a short period of time with interest. This would include any operating losses that occur in the early stages of the center before it is fully enrolled; and some portion of ongoing operational expenses, this would allow the center to keep the fees charged to their employees low enough to be a benefit to them.

Our Center can serve infants as young as new born to five years old (pre-kindergarten) children for full-day care. Our center can also provide care for school-age children before and after school (if transportation is available and the schools are nearby), on school holidays, and during the summer. Our center can also provide emergency or drop-in care for employees who normally use other child care arrangements but whose arrangements have fallen through for the day. Our center usually operates from 6:00am to 6:00pm, although we can adjust these times to address the needs of your employees on the off shifts, if there is a need to do so.

Our goals are to provide center-based child care that accommodates employees work schedule, and to allow parents the ability to spend time with there children during the day, such as during meals or breaks, which reduces the stress of having a child in child care, especially if the child is somewhat ill that day.

All of our learning and child care services employ technology, partnerships, professional services and other activities that support and promote higher learning.

This will be the first sector of FCCDS put into operation, once this sector has launched, we will introduce our Debt Counseling and Settlements Assistance program, followed by our Computer Literacy Training and Job Readiness Preperation and Resume Writing services.

4.0 Market Analysis Summary

Family Child Care & Debt Services offers services which are vitally important in today's fast paced, dual-income world. As an increasing number of families have become dependent on two incomes, the need for quality child care has skyrocketed. In addition to this, the number of single parent homes is increasing at the same rate, resulting in the same day care need.

The process of a dual income or dual parent family becoming a single income/single parent family can be devistating. Often times one parent has sacrificed the workforce to stay at home and raise the children. Because of this sacrifice, if made single, they must re-enter the workforce with little training in today's needed skills.

To make matters worse, they often re-enter the workforce already in debt. Our services are meant to aid the transition from dual parent to single parent, offering all services under one roof.

4.1 Market Segmentation

Family Child Care & Debt Services has a focus on meeting the local community need for child care services. Students will be taken in flexibly on either a full-time or part-time basis.

Full-Time Working Couples

Our center will establish a significantly large, full-time, regular client base in order to establish the healthy, consistent revenue base which will ensure stability of the business. Customer and community relations are extremely important, as it is imperative to keep the parents pleased in order to keep their children in the day care.

After School Care

Another large segment of the center's business will be in the after school care market. This client base will provide a higher profit for the center since instructor-to-student ratios are higher, and the students require more educational services, which are the primary focus of the center. By offering tutoring, and advanced studies in technology, theatre, arts and sciences, the center will attract these profitable business clients, producing significant supplemental revenues.

Part-Time Workers/Drop-Ins

Part-time workers and Drop-Ins from locals businesses will comprise less than 1% of the revenues. While this market is not a primary focus, sufficient flexibility to handle this market is important to the local 'word-of-mouth' marketing strategy.

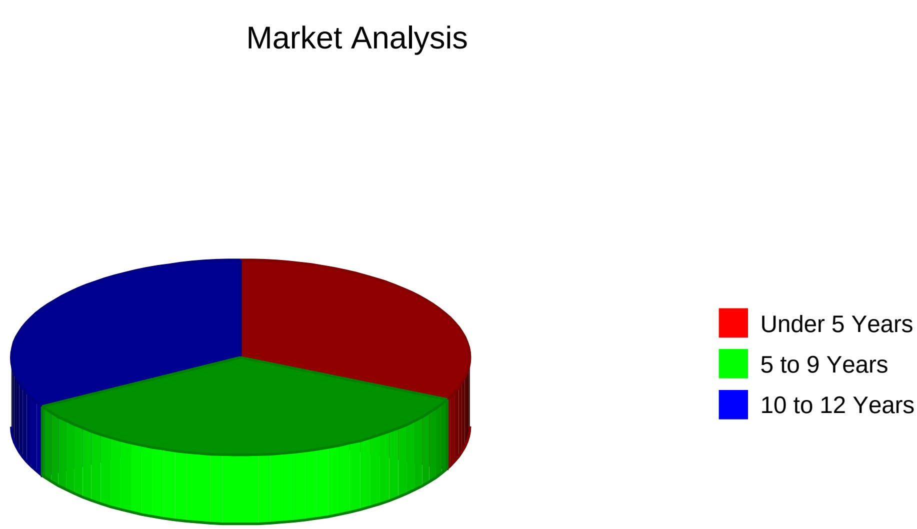


Table: Market Analysis

Market Analysis		2005	2006	2007	2008	2009	
Potential Customers	Growth						CAGR
Under 5 Years	6%	2,665	2,825	2,995	3,175	3,366	6.01%
5 to 9 Years	6%	2,865	3,037	3,219	3,412	3,617	6.00%
10 to 12 Years	6%	2,771	2,937	3,113	3,300	3,498	6.00%
Total	6.00%	8,301	8,799	9,327	9,887	10,481	6.00%

4.2 Target Market Segment Strategy

The target market for Family Child Care & Debt Services will be parents working at one of the many local plants. Some of these plants are comprised of DaimlerChrysler's Truck Plant in Warren, MI; GM's Powertrain Plant in Romulus, MI; Detroit's Hamtramck Cadillac Plant; and the Ford Truck Plant in Wayne, MI. Referral marketing, direct-mail campaigns and community activity days will be the secondary types of marketing strategies utilized. Maintaining and enhancing its reputation with families and in the community will be crucial in obtaining the planned market share growth of this target market. Our initial marketing will be direct with the "Big Three" plants themselves, offering our services and highlighting our advantages.

The advantages of having an off-site center are many:

- Attracts and retains employees.
- Cuts absenteeism and tardiness caused by unreliable child care arrangements.
- Improves the quality of employees' work and productivity by alleviating anxiety about their children while they are working.
- Improves morale by demonstrating that the employer cares about employees.
- Any start-up cost covered by the employer (or union or a combination of both) is established as a loan to the center of which is returned with interest.
- Gives the employees the ability to see what kind of care their child is receiving at any time.
- Creates a convenient system for the employees when dropping off and picking up their child, saving them time and money.
- Gives the company an extremely valuable marketing tool, making them stand out above their competition.

In researching four Big Three Plants, DaimlerChrysler Truck Plant in Warren, GM Powertrain in Romulus, Detroit Hamtramck Cadillac Plant, and the Ford Truck Plant in Wayne, there are an average of 1845 employee's working at each. According to the Detroit Chamber of Commerce and the Census Department, one in every three families have child under the age of 5. Most of these families would have two children in this age range. (Although our project is based on one child per household.) This would mean that 615 employee's at each plant would be in need of child care assistance.

4.3 Service Business Analysis

Family Child Care & Debt Services first sector is in the child care services industry, which includes several models:

1. **Licensed Child Care Facilities:** Business facilities that offer child daycare services.
2. **Family Child Care Homes:** Individuals that offer child daycare services in their homes.
3. **Specific Interest Based Programs:** Businesses that offer specialized instruction such as gymnastics, martial arts and athletics.
4. **Church Child Care Facilities:** Religious organizations that offer child daycare services in their communities.

We will defferentiate ourselves with service

4.3.1 Competition and Buying Patterns

Price, service, certification and reputation are critical success factors in the child care services industry. Family Child Care & Debt Services will compete well in our market by offering competitive prices, high-quality child care services, and leading-edge educational programs with certified, center-educated instructors, and by maintaining an excellent reputation with parents and the community in which we serve.

5.0 Strategy and Implementation Summary

Emphasize service
We will differentiate ourselves with service.**!** We will establish our business offering as a clear and viable alternative for our target market, from the scores of day care centers and continuing education centers in the area.

Build a relationship-oriented business
Build long-term relationships with customers, not single-visit deals.

Focus on target markets
We need to focus our offerings on specific population groups as the key market segment we should own. We do not want to compete for the clients who want to go from job to job, leaving their children with relatives.

5.1 Competitive Edge

We start with a critical competitive edge: there is no competitor in our market that is offering our concept, quality of educational program and child care services. Our educational approach is unique and we have a resource with over 25 years of expertise and over 17 years of technology savvy. Our positioning on these points is very hard to match, but only if we maintain the focus in our strategy, marketing, business development, and fulfillment. We should be aware that the tendency to dilute this expertise with bargain shopping could weaken the importance of our competitive edge, but we must continue to bolster our value proposition.

5.2 Marketing Strategy

We live in a changing world. Families look different today than they did a generation ago.

- In 1947, 25 percent of mother's with school-age children were in the workforce: by 1996, their labor force participation had tripled.
- More than two-thirds of women with children under age 18 are now in the workforce – the traditional family consisting of a working father and a stay at home mother makes up just over a quarter of all U.S households.
- Women accounted for more than 60 percent of new labor entrants between 1994 and 2004.

Parents in the work force are increasingly concerned about who will take care of their children, due to more and more reports of abuse from caregivers. When employees have trouble with child care, they are less effective in the workplace – and this affects the employer's bottom-line.

Studies show that child care problems can lead to

- Increased tardiness and absenteeism
- Higher turnover rates
- Higher recruiting and training costs

Clearly, any of these can jeopardize

- Productivity
- Work Quality
- Company Profitability

An Employer-Sponsored child care program can serve as a tool to help keep your employees happy and productive.

Businesses that enforce family-oriented work policies

- Raise Productivity
- Boost Morale
- Increase Commitment
- Reduce Absenteeism and Tardiness
- Reduce Turnover

A commitment to supporting the child care needs of employees can improve workplace effectiveness and serve as a recruitment tool to attract skilled workers. Our program is designed to help give employers an option, which benefits their business, and responds to their employees' needs.

Marketing in the child care industry depends largely on reputation and referral. At Family Child Care & Debt Services that reputation will start within our community bolstered by our involved commitment to those we serve.

Servicing the parent and their employer is a point that is key to our marketing summary. By catering to the parent and employer's needs, we will only increase our word of mouth referal.

5.3 Sales Strategy

Family Child Care & Debt Services will sell its community center theme, services and offerings, separating itself from traditional daycare-only offerings.

We will be a one-stop shop for child care services, advanced learning and specialized program offerings for parents. We will also be active in the community, building a solid reputation with parents and the community. By succeeding in these areas, we expect to begin seeing an operational net profit in month nine of the 1st year, while increasing enrollment by 32% monthly for the first 8 months and gradually thereafter, until our maximum allowed capacity is reached.

5.3.1 Sales Forecast

The following table and chart give a run-down on forecasted sales. A detailed spreadsheet is also included in the appendix of this business plan.

For the first eight months of operation, Family Child Care & Debt Services has assumed a conservative enrollment due to the fact that school, aftercare and child care placement has already taken place for the school year and most parents will be comfortable with their current arrangements. Consequently, we expect initial enrollment to be far less than anticipated future year levels.

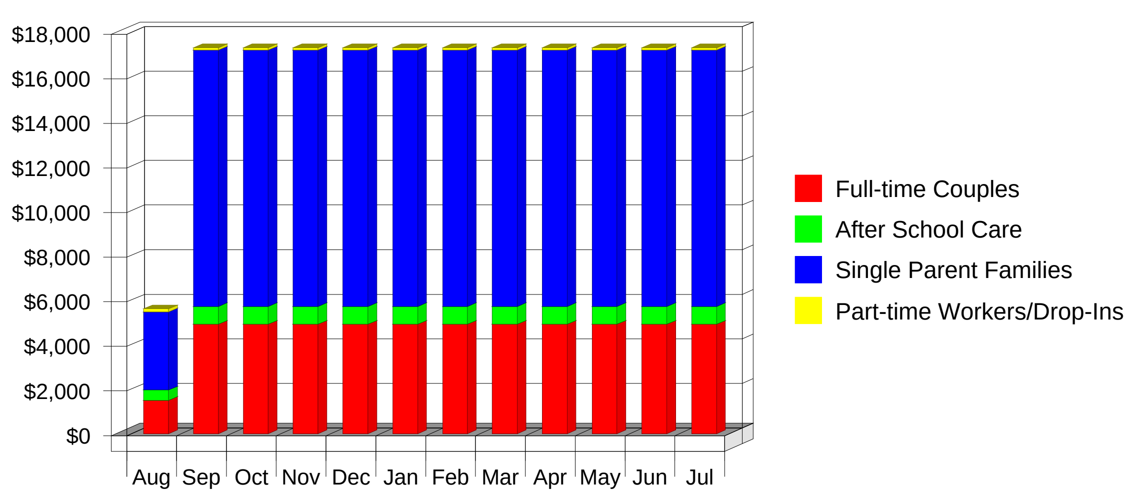
A sales increase of approximately 32% each month is expected until the start of the next school term, in August. While this forecasted increase seems large by industry standards, it is a good estimate based on initial enrollment. Going into years 2 and 3, we expect that our presence will be known, convenience factor considered and we will then be a considered as a choice in August 2005. In fiscal years 2006 and 2007, 80% and 90% of full enrollment is assumed respectively.

We expect to be open for business on August 1st, 2005 starting with an initial enrollment of 130 students:

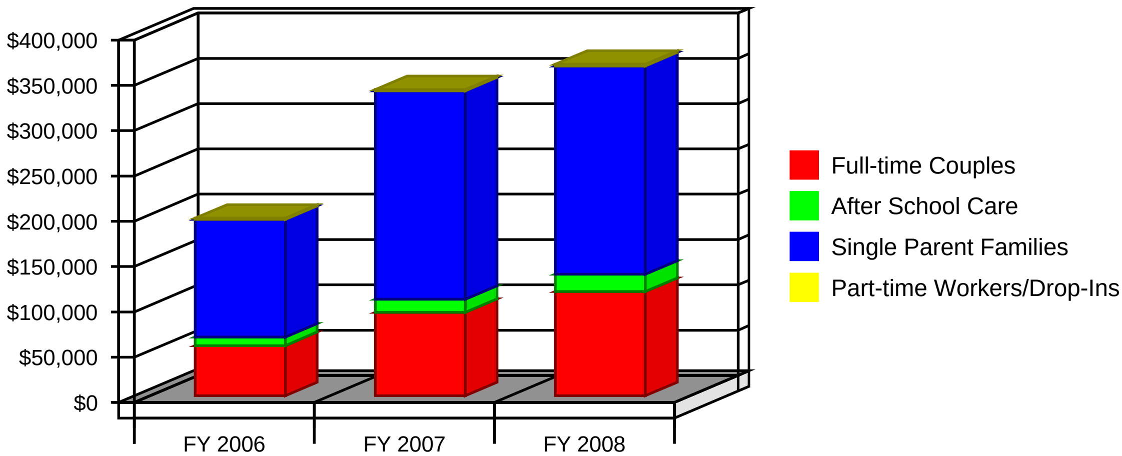
Table: Sales Forecast

Sales Forecast	FY 2006	FY 2007	FY 2008
Unit Sales			
Full-time Couples	128	200	250
After School Care	40	60	80
Single Parent Families	300	500	500
Part-time Workers/Drop-Ins	12	14	16
Total Unit Sales	480	774	846
Unit Prices	FY 2006	FY 2007	FY 2008
Full-time Couples	$433.33	$460.00	$460.00
After School Care	$231.67	$240.00	$240.00
Single Parent Families	$433.33	$460.00	$460.00
Part-time Workers/Drop-Ins	$103.33	$100.00	$100.00
Sales			
Full-time Couples	$55,467	$92,000	$115,000
After School Care	$9,267	$14,400	$19,200
Single Parent Families	$130,000	$230,000	$230,000
Part-time Workers/Drop-Ins	$1,240	$1,380	$1,587
Total Sales	$195,973	$337,780	$365,787
Direct Unit Costs	FY 2006	FY 2007	FY 2008
Full-time Couples	$12.57	$13.82	$13.82
After School Care	$4.40	$4.75	$4.75
Single Parent Families	$13.00	$13.80	$13.80
Part-time Workers/Drop-Ins	$0.00	$0.00	$0.00
Direct Cost of Sales			
Full-time Couples	$1,609	$2,764	$3,455
After School Care	$176	$285	$380
Single Parent Families	$3,900	$6,900	$6,900
Part-time Workers/Drop-Ins	$0	$0	$0
Subtotal Direct Cost of Sales	$5,685	$9,949	$10,735

Sales Monthly



Sales by Year



5.4 Milestones

The accompanying table highlights important start-up milestones, with dates, completion status, responsible parties and budgets for each. The milestone schedule indicates our emphasis on planning for implementation.

What the table doesn't show is the commitment behind it. Our business plan includes complete provisions for plan-vs.-actual analysis, and we will hold monthly follow-up meetings to discuss the variance and course corrections.

Table: Milestones

Milestones					
Milestone	Start Date	End Date	Budget	Manager	Department
Business Plan	5/1/2005	7/1/2005	$200	DC	Developement
Lease RFP	5/1/2005	7/1/2005	$0	DC	Developement
Site Selection	5/1/2005	7/1/2005	$0	DC	Developement
Architect Design	5/1/2005	7/1/2005	$0	DC	Developement
Secure Additional Funding	5/1/2005	8/1/2005	$500	DC	Developement
Sign Lease	5/1/2005	8/1/2005	$4,500	DC	Developement
Personnel Plan	5/1/2005	8/1/2005	$0	DC	Developement
Curriculum Development	5/1/2005	7/1/2005	$500	DC	Developement
County Certification Req.	5/1/2005	8/1/2005	$100	DC	Developement
Licensing	5/1/2005	8/1/2005	$0	DC	Developement
Totals			$5,800		

6.0 Management Summary

Family Child Care & Debt Services is a privately-held S-Corporation owned by Duane Carlisle, Camina Carlisle, Phyllis Hardeman, Marilyn Dorrough, and Lynnette Massey.

Camina Carlisle has a vast background in computers, and will assist in teaching new technology to clients.

Duane Carlisle, with a background in managerial skills and problem solving, will be the supervisor of all sectors.

Lynette Massey will utilize her backgound in payroll and employment services to assist clients in obtaining employment in the workforce.

Marilyn J. Dorrough will overse the daily childcare. With over 10 years in this field, and certifications in place, she will be responsible for bringing profitability to our core sector.

Phyullis Hardeman will work with Marily J. Dorrough in ensuring that our core sector is succesful.

6.1 Personnel Plan

The detailed monthly personnel plan for the first year is included in the appendix. The annual personnel estimates are included here.

Table: Personnel

Personnel Plan	FY 2006	FY 2007	FY 2008
Duane Carlisle	$25,700	$35,000	$40,000
Phyllis Hardeman	$25,700	$35,000	$40,000
Marillyn J. Dorrough	$25,700	$35,000	$40,000
Camina Carlisle	$25,700	$35,000	$40,000
Lynette Massey	$25,700	$35,000	$40,000
Total People	5	5	5
Total Payroll	$128,500	$175,000	$200,000

7.0 Financial Plan

- Family Child Care & Debt Services will finance growth mainly through cash flow. It is recognized that this means the school will have to grow gradually into the planned four centeres.
- The most important factor in our case is enrollment. We must stay focused on our enrollment plan and maintain budgeted enrollment levels.

7.1 Important Assumptions

The Family Child Care & Debt Services financial plan depends on important assumptions, most of which are shown in the following table as annual assumptions. The monthly assumptions are included in the appendices. From the beginning, it is recognized that total enrollment is critical, which is a factor that must be influenced immediately. Interest rates, tax rates, and personnel burden are based on conservative assumptions.

The most important underlying assumption is that there is a strong need for this business in our community.

Table: General Assumptions

General Assumptions	FY 2006	FY 2007	FY 2008
Plan Month	1	2	3
Current Interest Rate	7.00%	7.00%	7.00%
Long-term Interest Rate	7.00%	7.00%	7.00%
Tax Rate	30.00%	30.00%	30.00%
Other	0	0	0

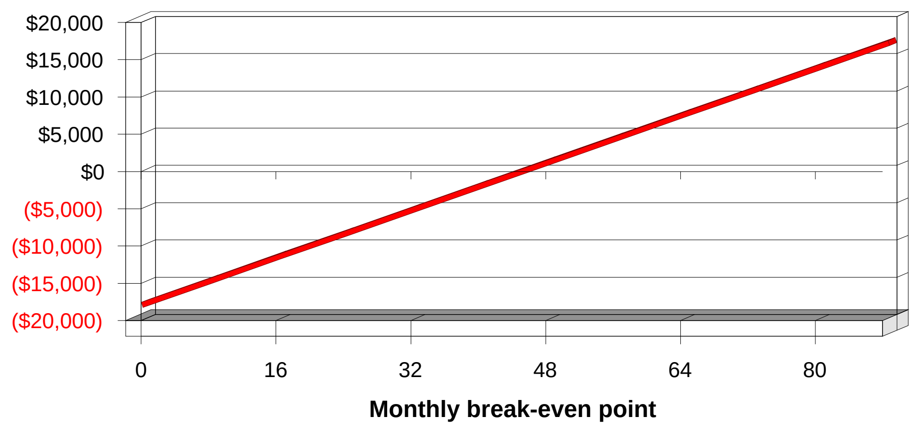
7.2 Break-even Analysis

Table 7.3 summarizes the break-even analysis, including monthly units and sales break-even points.

Table: Break-even Analysis

Break-even Analysis	
Monthly Units Break-even	45
Monthly Revenue Break-even	$18,517
Assumptions:	
Average Per-Unit Revenue	$408.28
Average Per-Unit Variable Cost	$11.84
Estimated Monthly Fixed Cost	$17,980

Break-even Analysis



Break-even point = where line intersects with 0

7.3 Projected Profit and Loss

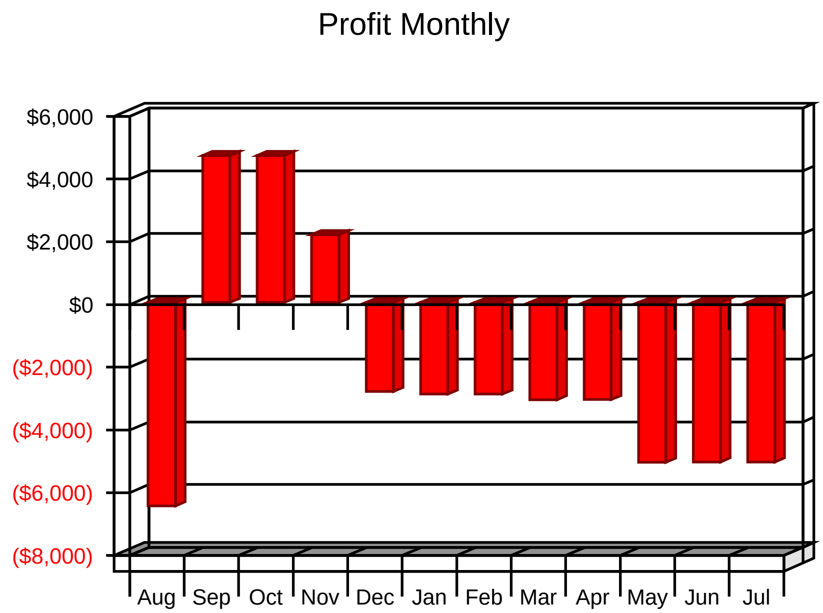
Our projected profit and loss is shown on the following table, with sales increasing from more than $190K the first year to approximately $355K the third.

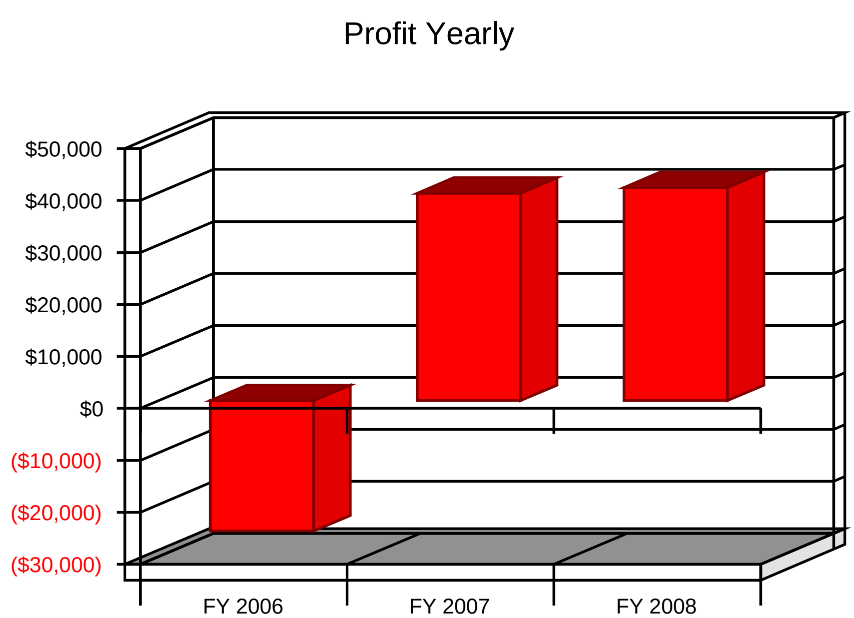
In years two and three, we are projecting full enrollment regarding cost of sales and gross margin. The investment return in these years supports the goal of opening another center at the end of the second year and begin the franchise offering by the end of the third year. Profit from the additional centeres and income from franchising are not included in this business plan.

The detailed monthly projections are included in the appendices.

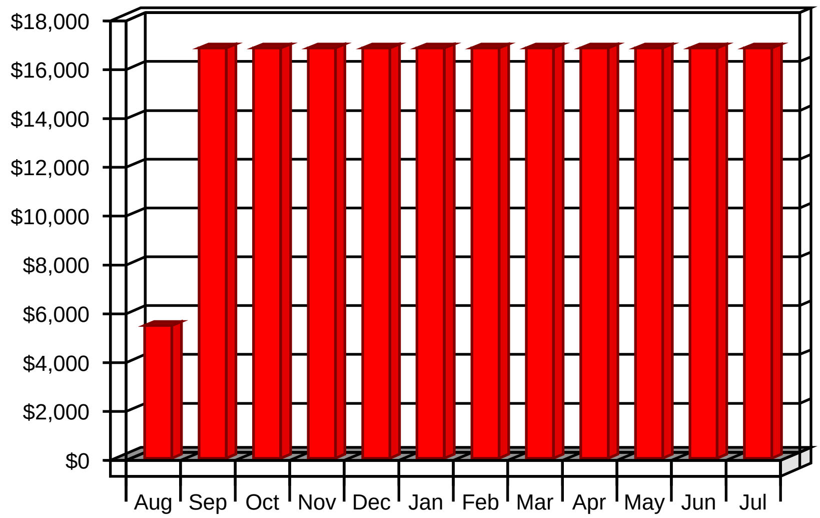
Table: Profit and Loss

Pro Forma Profit and Loss	FY 2006	FY 2007	FY 2008
Sales	$195,973	$337,780	$365,787
Direct Cost of Sales	$5,685	$9,949	$10,735
Hidden Row	$0	$0	$0
	------------	------------	------------
Total Cost of Sales	$5,685	$9,949	$10,735
Gross Margin	$190,289	$327,831	$355,052
Gross Margin %	97.10%	97.05%	97.07%
Expenses			
Payroll	$128,500	$175,000	$200,000
Sales and Marketing and Other Expenses	$2,200	$3,500	$3,500
Depreciation	$0	$0	$0
Rent	$58,800	$59,500	$60,000
Utilities	$10,500	$10,500	$10,500
Insurance	$7,200	$7,200	$7,200
Payroll Taxes	$8,556	$16,217	$17,027
Other	$0	$0	$0
	------------	------------	------------
Total Operating Expenses	$215,756	$271,917	$298,227
Profit Before Interest and Taxes	($25,467)	$55,914	$56,825
Interest Expense	($381)	($1,056)	($1,760)
Taxes Incurred	$0	$17,091	$17,575
Net Profit	($25,085)	$39,879	$41,009
Net Profit/Sales	-12.80%	11.81%	11.21%

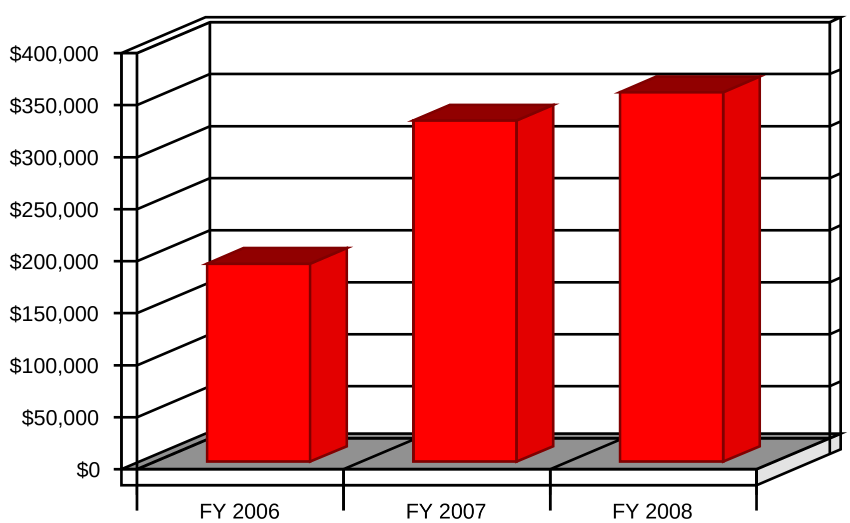

Profit Monthly
$6,000
$4,000
$2,000
$0
($2,000)
($4,000)
($6,000)
($8,000)
Aug
Sep
Oct
Nov
Dec
Jan
Feb
Mar
Apr
May
Jun
Jul


Profit Yearly
$50,000
$40,000
$30,000
$20,000
$10,000
$0
($10,000)
($20,000)
($30,000)
FY 2006
FY 2007
FY 2008

Gross Margin Monthly



Gross Margin Yearly



7.4 Projected Cash Flow

The following cash flow projections show the annual amounts only, significant for the first year mainly in the amounts projected in cash sales and payables.

Cash flow projections are critical to the success of Family Child Care & Debt Services. The monthly cash flow is shown in the illustration, with one bar representing the cash flow per month and the other the monthly cash balance. The annual cash flow figures are included here and the more important detailed monthly numbers are included in the appendices.

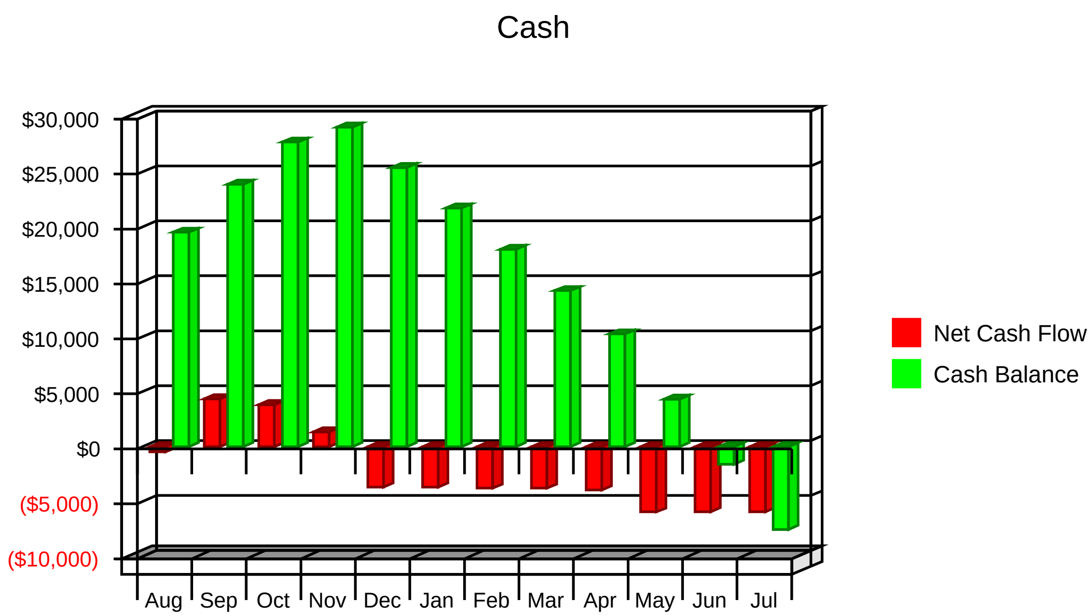


Table: Cash Flow

Pro Forma Cash Flow	FY 2006	FY 2007	FY 2008
Cash Received			
Cash from Operations			
Cash Sales	$195,973	$337,780	$365,787
Subtotal Cash from Operations	$195,973	$337,780	$365,787
Additional Cash Received			
Sales Tax, VAT, HST/GST Received	$0	$0	$0
New Current Borrowing	$0	$0	$0
New Other Liabilities (interest-free)	$0	$0	$0
New Long-term Liabilities	$0	$0	$0
Sales of Other Current Assets	$0	$0	$0
Sales of Long-term Assets	$0	$0	$0
New Investment Received	$0	$0	$0
Subtotal Cash Received	$195,973	$337,780	$365,787
Expenditures	FY 2006	FY 2007	FY 2008
Expenditures from Operations			
Cash spending	$128,500	$175,000	$200,000
Bill Payments	$84,933	$91,329	$144,242
Subtotal Spent on Operations	$213,433	$266,329	$344,242
Additional Cash Spent			
Sales Tax, VAT, HST/GST Paid Out	$0	$0	$0
Principal Repayment of Current Borrowing	$0	$0	$0
Other Liabilities Principal Repayment	$0	$0	$0
Long-term Liabilities Principal Repayment	$10,057	$10,057	$10,057
Purchase Other Current Assets	$0	$0	$0
Purchase Long-term Assets	$0	$0	$0
Dividends	$0	$0	$0
Subtotal Cash Spent	$223,490	$276,386	$354,299
Net Cash Flow	($27,516)	$61,394	$11,488
Cash Balance	($7,516)	$53,877	$65,365

7.5 Projected Balance Sheet

The balance sheet in the following table shows managed but sufficient growth of net worth, and a gradually sufficient healthy financial position. The monthly estimates are included in the appendices.

Table: Balance Sheet

Pro Forma Balance Sheet	FY 2006	FY 2007	FY 2008
Assets			
Current Assets			
Cash	($7,516)	$53,877	$65,365
Other Current Assets	$500	$500	$500
Total Current Assets	($7,016)	$54,377	$65,865
Long-term Assets			
Long-term Assets	$0	$0	$0
Accumulated Depreciation	$0	$0	$0
Total Long-term Assets	$0	$0	$0
Total Assets	($7,016)	$54,377	$65,865
Liabilities and Capital	FY 2006	FY 2007	FY 2008
Current Liabilities			
Accounts Payable	$7,626	$39,197	$19,733
Current Borrowing	$0	$0	$0
Other Current Liabilities	$0	$0	$0
Subtotal Current Liabilities	$7,626	$39,197	$19,733
Long-term Liabilities	($10,057)	($20,114)	($30,171)
Total Liabilities	($2,431)	$19,084	($10,438)
Paid-in Capital	$198,480	$198,480	$198,480
Retained Earnings	($177,980)	($203,065)	($163,186)
Earnings	($25,085)	$39,879	$41,009
Total Capital	($4,585)	$35,294	$76,303
Total Liabilities and Capital	($7,016)	$54,377	$65,865
Net Worth	($4,585)	$35,294	$76,303

7.6 Business Ratios

The following table shows the projected businesses ratios for our industry: Child Day Care services, SIC code 8351. Family Child Care & Debt Services expects to maintain healthy ratios for profitability, risk, and return.

Table: Ratios

Ratio Analysis	FY 2006	FY 2007	FY 2008	Industry Profile
Sales Growth	0.00%	72.36%	8.29%	6.98%
Percent of Total Assets				
Other Current Assets	-7.13%	0.92%	0.76%	30.21%
Total Current Assets	100.00%	100.00%	100.00%	60.28%
Long-term Assets	0.00%	0.00%	0.00%	39.72%
Total Assets	100.00%	100.00%	100.00%	100.00%
Current Liabilities	-108.69%	72.08%	29.96%	27.78%
Long-term Liabilities	143.34%	-36.99%	-45.81%	24.23%
Total Liabilities	34.64%	35.09%	-15.85%	52.01%
Net Worth	65.36%	64.91%	115.85%	47.99%
Percent of Sales				
Sales	100.00%	100.00%	100.00%	100.00%
Gross Margin	97.10%	97.05%	97.07%	100.00%
Selling, General & Administrative Expenses	113.51%	78.74%	72.22%	81.45%
Advertising Expenses	0.00%	0.00%	0.00%	0.88%
Profit Before Interest and Taxes	-13.00%	16.55%	15.53%	1.52%
Main Ratios				
Current	-0.92	1.39	3.34	1.96
Quick	-0.92	1.39	3.34	1.56
Total Debt to Total Assets	34.64%	35.09%	-15.85%	60.93%
Pre-tax Return on Net Worth	547.06%	161.42%	76.78%	2.47%
Pre-tax Return on Assets	357.54%	104.77%	88.95%	6.32%
Additional Ratios	FY 2006	FY 2007	FY 2008	
Net Profit Margin	-12.80%	11.81%	11.21%	n.a
Return on Equity	0.00%	112.99%	53.75%	n.a
Activity Ratios				
Accounts Payable Turnover	12.14	3.14	6.32	n.a
Payment Days	27	70	86	n.a
Total Asset Turnover	0.00	6.21	5.55	n.a
Debt Ratios				
Debt to Net Worth	0.00	0.54	-0.14	n.a
Current Liab. to Liab.	0.00	2.05	0.00	n.a
Liquidity Ratios				
Net Working Capital	($14,642)	$15,180	$46,132	n.a
Interest Coverage	0.00	0.00	0.00	n.a
Additional Ratios				
Assets to Sales	-0.04	0.16	0.18	n.a
Current Debt/Total Assets	0%	72%	30%	n.a
Acid Test	-0.92	1.39	3.34	n.a
Sales/Net Worth	0.00	9.57	4.79	n.a
Dividend Payout	0.00	0.00	0.00	n.a

Appendix

Appendix Table: Sales Forecast

Sales Forecast		Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Unit Sales													
Full-time Couples	0%	11	11	11	11	11	11	11	11	11	11	11	11
After School Care	0%	3	3	3	3	3	3	3	3	3	3	3	3
Single Parent Families	0%	25	25	25	25	25	25	25	25	25	25	25	25
Part-time Workers/Drop-Ins	0%	1	1	1	1	1	1	1	1	1	1	1	1
Total Unit Sales		40	40	40	40	40	40	40	40	40	40	40	40
Unit Prices		Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Full-time Couples		$140.00	$460.00	$460.00	$460.00	$460.00	$460.00	$460.00	$460.00	$460.00	$460.00	$460.00	$460.00
After School Care		$140.00	$240.00	$240.00	$240.00	$240.00	$240.00	$240.00	$240.00	$240.00	$240.00	$240.00	$240.00
Single Parent Families		$140.00	$460.00	$460.00	$460.00	$460.00	$460.00	$460.00	$460.00	$460.00	$460.00	$460.00	$460.00
Part-time Workers/Drop-Ins		$140.00	$100.00	$100.00	$100.00	$100.00	$100.00	$100.00	$100.00	$100.00	$100.00	$100.00	$100.00
Sales													
Full-time Couples		$1,493	$4,907	$4,907	$4,907	$4,907	$4,907	$4,907	$4,907	$4,907	$4,907	$4,907	$4,907
After School Care		$467	$800	$800	$800	$800	$800	$800	$800	$800	$800	$800	$800
Single Parent Families		$3,500	$11,500	$11,500	$11,500	$11,500	$11,500	$11,500	$11,500	$11,500	$11,500	$11,500	$11,500
Part-time Workers/Drop-Ins		$140	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100
Total Sales		$5,600	$17,307	$17,307	$17,307	$17,307	$17,307	$17,307	$17,307	$17,307	$17,307	$17,307	$17,307
Direct Unit Costs		Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Full-time Couples	2.90%	$4.06	$13.34	$13.34	$13.34	$13.34	$13.34	$13.34	$13.34	$13.34	$13.34	$13.34	$13.34
After School Care	1.90%	$2.66	$4.56	$4.56	$4.56	$4.56	$4.56	$4.56	$4.56	$4.56	$4.56	$4.56	$4.56
Single Parent Families	3.00%	$4.20	$13.80	$13.80	$13.80	$13.80	$13.80	$13.80	$13.80	$13.80	$13.80	$13.80	$13.80
Part-time Workers/Drop-Ins	0.00%	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Direct Cost of Sales													
Full-time Couples		$43	$142	$142	$142	$142	$142	$142	$142	$142	$142	$142	$142
After School Care		$9	$15	$15	$15	$15	$15	$15	$15	$15	$15	$15	$15
Single Parent Families		$105	$345	$345	$345	$345	$345	$345	$345	$345	$345	$345	$345
Part-time Workers/Drop-Ins		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Subtotal Direct Cost of Sales		$157	$502	$502	$502	$502	$502	$502	$502	$502	$502	$502	$502

Appendix

Appendix Table: Personnel

Personnel Plan		Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Duane Carlisle	0%	$1,000	$1,000	$1,000	$1,500	$2,500	$2,500	$2,500	$2,500	$2,500	$2,900	$2,900	$2,900
Phyllis Hardeman	0%	$1,000	$1,000	$1,000	$1,500	$2,500	$2,500	$2,500	$2,500	$2,500	$2,900	$2,900	$2,900
Marillyn J. Dorrough	0%	$1,000	$1,000	$1,000	$1,500	$2,500	$2,500	$2,500	$2,500	$2,500	$2,900	$2,900	$2,900
Camina Carlisle	0%	$1,000	$1,000	$1,000	$1,500	$2,500	$2,500	$2,500	$2,500	$2,500	$2,900	$2,900	$2,900
Lynette Massey	0%	$1,000	$1,000	$1,000	$1,500	$2,500	$2,500	$2,500	$2,500	$2,500	$2,900	$2,900	$2,900
Total People		5	5	5	$5	5	5	5	5	5	5	5	5
Total Payroll		$5,000	$5,000	$5,000	$7,500	$12,500	$12,500	$12,500	$12,500	$12,500	$14,500	$14,500	$14,500

Appendix Table: General Assumptions

General Assumptions	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Plan Month	1	2	3	4	5	6	7	8	9	10	11	12
Current Interest Rate	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%
Long-term Interest Rate	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%
Tax Rate	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%
Other	0	0	0	0	0	0	0	0	0	0	0	0

Appendix Table: Profit and Loss

Pro Forma Profit and Loss		Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Sales		$5,600	$17,307	$17,307	$17,307	$17,307	$17,307	$17,307	$17,307	$17,307	$17,307	$17,307	$17,307
Direct Cost of Sales		$157	$502	$502	$502	$502	$502	$502	$502	$502	$502	$502	$502
Hidden Row		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
		------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------
Total Cost of Sales		$157	$502	$502	$502	$502	$502	$502	$502	$502	$502	$502	$502
Gross Margin		$5,443	$16,804	$16,804	$16,804	$16,804	$16,804	$16,804	$16,804	$16,804	$16,804	$16,804	$16,804
Gross Margin %		97.19%	97.10%	97.10%	97.10%	97.10%	97.10%	97.10%	97.10%	97.10%	97.10%	97.10%	97.10%
Expenses													
Payroll		$5,000	$5,000	$5,000	$7,500	$12,500	$12,500	$12,500	$12,500	$12,500	$14,500	$14,500	$14,500
Sales and Marketing and Other Expenses		$0	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200
Depreciation		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Rent		$4,900	$4,900	$4,900	$4,900	$4,900	$4,900	$4,900	$4,900	$4,900	$4,900	$4,900	$4,900
Utilities		$875	$875	$875	$875	$875	$875	$875	$875	$875	$875	$875	$875
Insurance		$600	$600	$600	$600	$600	$600	$600	$600	$600	$600	$600	$600
Payroll Taxes	15%	$557	$557	$557	$588	$588	$678	$678	$870	$870	$870	$870	$870
Other		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
		------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------
Total Operating Expenses		$11,932	$12,132	$12,132	$14,663	$19,663	$19,753	$19,753	$19,945	$19,945	$21,945	$21,945	$21,945
Profit Before Interest and Taxes		($6,489)	$4,672	$4,672	$2,141	($2,859)	($2,949)	($2,949)	($3,141)	($3,141)	($5,141)	($5,141)	($5,141)
Interest Expense		($5)	($10)	($15)	($20)	($24)	($29)	($34)	($39)	($44)	($49)	($54)	($59)
Taxes Incurred		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Net Profit		($6,484)	$4,682	$4,687	$2,160	($2,835)	($2,920)	($2,915)	($3,102)	($3,097)	($5,092)	($5,087)	($5,082)
Net Profit/Sales		-115.79%	27.05%	27.08%	12.48%	-16.38%	-16.87%	-16.84%	-17.92%	-17.90%	-29.42%	-29.40%	-29.37%

Appendix Table: Cash Flow

Pro Forma Cash Flow		Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Cash Received													
Cash from Operations													
Cash Sales		$5,600	$17,307	$17,307	$17,307	$17,307	$17,307	$17,307	$17,307	$17,307	$17,307	$17,307	$17,307
Subtotal Cash from Operations		$5,600	$17,307	$17,307	$17,307	$17,307	$17,307	$17,307	$17,307	$17,307	$17,307	$17,307	$17,307
Additional Cash Received													
Sales Tax, VAT, HST/GST Received	0.00%	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
New Current Borrowing		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
New Other Liabilities (interest-free)		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
New Long-term Liabilities		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Sales of Other Current Assets		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Sales of Long-term Assets		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
New Investment Received		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Subtotal Cash Received		$5,600	$17,307	$17,307	$17,307	$17,307	$17,307	$17,307	$17,307	$17,307	$17,307	$17,307	$17,307
Expenditures		Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Expenditures from Operations													
Cash spending		$5,000	$5,000	$5,000	$7,500	$12,500	$12,500	$12,500	$12,500	$12,500	$14,500	$14,500	$14,500
Bill Payments		$236	$7,102	$7,625	$7,621	$7,646	$7,644	$7,726	$7,728	$7,909	$7,904	$7,899	$7,894
Subtotal Spent on Operations		$5,236	$12,102	$12,625	$15,121	$20,146	$20,144	$20,226	$20,228	$20,409	$22,404	$22,399	$22,394
Additional Cash Spent													
Sales Tax, VAT, HST/GST Paid Out		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Principal Repayment of Current Borrowing		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Other Liabilities Principal Repayment		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Long-term Liabilities Principal Repayment		$838	$838	$838	$838	$838	$838	$838	$838	$838	$838	$838	$838
Purchase Other Current Assets		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Purchase Long-term Assets		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Dividends		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Subtotal Cash Spent		$6,074	$12,940	$13,463	$15,959	$20,984	$20,982	$21,064	$21,066	$21,247	$23,242	$23,237	$23,232
Net Cash Flow		($474)	$4,366	$3,844	$1,348	($3,677)	($3,676)	($3,758)	($3,759)	($3,940)	($5,935)	($5,930)	($5,925)
Cash Balance		$19,526	$23,892	$27,736	$29,084	$25,407	$21,731	$17,973	$14,214	$10,274	$4,339	($1,591)	($7,516)

Appendix

Appendix Table: Balance Sheet

Pro Forma Balance Sheet													
		Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Assets	Starting Balances												
Current Assets													
Cash	$20,000	$19,526	$23,892	$27,736	$29,084	$25,407	$21,731	$17,973	$14,214	$10,274	$4,339	($1,591)	($7,516)
Other Current Assets	$500	$500	$500	$500	$500	$500	$500	$500	$500	$500	$500	$500	$500
Total Current Assets	$20,500	$20,026	$24,392	$28,236	$29,584	$25,907	$22,231	$18,473	$14,714	$10,774	$4,839	($1,091)	($7,016)
Long-term Assets													
Long-term Assets	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Accumulated Depreciation	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Long-term Assets	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Assets	$20,500	$20,026	$24,392	$28,236	$29,584	$25,907	$22,231	$18,473	$14,714	$10,774	$4,839	($1,091)	($7,016)
Liabilities and Capital		Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Current Liabilities													
Accounts Payable	$0	$6,848	$7,371	$7,366	$7,391	$7,387	$7,469	$7,464	$7,645	$7,640	$7,636	$7,631	$7,626
Current Borrowing	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Other Current Liabilities	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Subtotal Current Liabilities	$0	$6,848	$7,371	$7,366	$7,391	$7,387	$7,469	$7,464	$7,645	$7,640	$7,636	$7,631	$7,626
Long-term Liabilities	$0	($838)	($1,676)	($2,514)	($3,352)	($4,190)	($5,028)	($5,866)	($6,705)	($7,543)	($8,381)	($9,219)	($10,057)
Total Liabilities	$0	$6,010	$5,694	$4,852	$4,039	$3,196	$2,440	$1,598	$941	$98	($745)	($1,588)	($2,431)
Paid-in Capital	$198,480	$198,480	$198,480	$198,480	$198,480	$198,480	$198,480	$198,480	$198,480	$198,480	$198,480	$198,480	$198,480
Retained Earnings	($177,980)	($177,980)	($177,980)	($177,980)	($177,980)	($177,980)	($177,980)	($177,980)	($177,980)	($177,980)	($177,980)	($177,980)	($177,980)
Earnings	$0	($6,484)	($1,802)	$2,885	$5,045	$2,210	($709)	($3,624)	($6,726)	($9,823)	($14,916)	($20,003)	($25,085)
Total Capital	$20,500	$14,016	$18,698	$23,385	$25,545	$22,710	$19,791	$16,876	$13,774	$10,677	$5,584	$497	($4,585)
Total Liabilities and Capital	$20,500	$20,026	$24,392	$28,236	$29,584	$25,907	$22,231	$18,473	$14,714	$10,774	$4,839	($1,091)	($7,016)
Net Worth	$20,500	$14,016	$18,698	$23,385	$25,545	$22,710	$19,791	$16,876	$13,774	$10,677	$5,584	$497	($4,585)