# PlayCare, LLC

## **Business Overview**

Access to affordable therapeutic services within a high-quality childcare center is currently unavailable in Greenville, NC. This gap affects families with a household income that is too high to qualify for government assistance yet too low to pay out-of-pocket. These families are income fragile, or "the working poor," having an annual household income between \$35,000 and \$75,000.

Childcare services are oftentimes a necessary expense for income fragile families; finding quality, affordable childcare is challenging. Income fragile families with children developing atypically, with disabilities, further struggle to find affordable therapists and interventions. PlayCare, LLC, addresses these issues by being a dual-purpose drop-off childcare center and therapy office setting for young learners (ages 2 to 5) of all abilities. Through educational programming PlayCare provides young learners, regardless of socio-economic status, opportunities to thrive and develop in a high-quality neutral setting, while receiving necessary therapeutic interventions. PlayCare staff connect families of young learners to educational and therapy professionals (not employed by PlayCare) that address development challenges. PlayCare's facilities include space for therapy professionals to visit and administer therapeutic services at a discounted, affordable rate.

PlayCare is an affordable (\$7.25 an hour), education-focused drop-off childcare service that provides young learners with the environment and resources necessary to thrive. PlayCare is a neutral setting where young learners with disabilities may receive therapy services from professionals at an affordable rate.

The first 2,000 days of a child's life are the most important developmentally. Many children do not receive proper support between the ages of birth and 5. Research documents the cognitive, socio-emotional, and language benefits of high-quality early childhood care and education programs for young learners. These benefits are higher for children from income fragile families (Burger, 161).

Children receiving proper developmental support exhibit "better achievement (higher reading, math and literacy scores), better school adjustment, less repetition and greater school completion, less use of special services, reduced welfare expenditures, greater earnings, and reduced criminal behavior." There are real economic benefits associated with early interventions and high-quality child care programs; the return is estimated between 7 to 1 and 4 to 1 (Myers, 9)."

PlayCare's social value proposition provides income-fragile families, "the working poor," in Greenville, NC, with access to affordable therapeutic services and high-quality, innovative, flexible, family- and community-centered care programs for young learners ages 2 to 5. PlayCare provides a neutral meeting space for families and therapy professionals serving income fragile, working-poor, families. Through partnerships with state, city, and local municipalities and businesses PlayCare connects families with resources while contributing to economic growth to the region. Care programs emphasize family, self-awareness, community service, teamwork, sustainability, nutrition, and exploration to children of all abilities. PlayCare maintains a young learner to childcare professional ratio of 7:1. The 7:1 ratio is lower than the state guideline of 15:1 and provides young learners with and without disabilities an ideal learning environment.

If PlayCare does not become a reality, two things happen. First, young learners with disabilities would not receive affordable therapy. Second, the young learners from income-fragile families do not receive high-quality developmental support.

### The Market

Of the 83 childcare businesses in Greenville, only a small fraction is childcare centers. None provide therapy services. PlayCare has a competitive advantage because it fills a gap in service by connecting families to affordable therapeutic services in the context of high-quality, drop-off childcare.

For an income fragile family, the average annual household income of \$47,000 equals to \$3,000 per month. After the housing expenses, transportation expenses, health insurance, food, and other necessities the household is left with \$400. If the family has a child needing speech therapy, for example, initial assessment costs \$200 to \$250, and \$100 to \$250 per hour. Unexpected expenses, such as a trip to urgent care or car repairs, may entirely use the family's remaining \$400, leaving little or no money left for therapy services. Additionally, taking a child to receive therapeutic services means time away from work for one or both parents, resulting in lost wages. PlayCare address this need by providing an affordable education-focused drop-off service where therapy professionals provide sliding scale or discounted services. A drop-off service allows parents to return to work while the child receives care from PlayCare professionals before and/or after receiving therapy services from professionals.

Income-fragile families with children comprise 30%, or 10,580 families, in the city of Greenville (Simply Map, 2014). Since the year 2000, Greenville has grown by 29% and is the 10<sup>th</sup> largest city in North Carolina (U.S. Census). The market size will support the minimum threshold of 60 young learners for PlayCare to be successful.

IBIS World states that revenue growth in the childcare industry is projected to prosper over the next five years with an annual growth rate of 2.6%. The industry growth is due to declining unemployment rates and the growing trend that puts intense focus on child development. More parents are investing in childcare and preschools that provide personalized education for their children.

PlayCare's initial marketing plan includes an opening ceremony, newspaper article, new customer discount cards, radio advertisements, promotional giveaways (cups, koozies, pens, magnets), a social media campaign (Facebook, Twitter, Instagram), website, business card placement in local businesses (e.g. churches, family-friendly restaurants, grocery stores, etc.), and appearances at large businesses to inform employees of PlayCare.

Sustained marketing efforts include pediatrician referrals, social media (Facebook, Twitter, Instagram), website, a monthly newsletter, business card placement in local businesses, Facebook ads, joint promotions with local businesses, and word of mouth advertising.

### **Financial Analysis**

PlayCare is open 6 days a weeks and forecasts utilization of 50 children per day for a 2.5-hour average length of stay. At a preliminary hourly rate of \$7.25, we expect initial monthly revenue of \$21,750. We anticipate start-up costs of \$23,863 to cover fixtures and equipment, remodeling, installation, internet and phone, supplies, utility down payment, insurance, marketing, legal expenses, rent, and miscellaneous expenses, including a \$5,000 pre-venture marketing budget. PlayCare is applying for grants to defray initial start-up costs.

We plan to procure initial cash injection of \$60,000 from private investors and a business loan to supply adequate working capital and ensure easy repayment of all obligations. For detailed monthly expenses, please see Appendix A. Employee costs are the biggest expense incurred by all childcare businesses, and cost PlayCare \$105,336 in 2015. PlayCare will keep employee costs low by partnering with East Carolina University to offer entry-level positions to recent graduates with degrees in early childhood development and related fields.

At start-up, PlayCare generates \$1,200 profit each month after meeting all financial obligations, including loan payment. In 2015, PlayCare is projected to be financially solvent with sales of \$239,250 (See Appendix A). In comparison, Greenville childcare centers that employ five workers average \$250,000 in sales. After 3 years in business, PlayCare is projected to generate \$104,468 in positive cash flow. By the end of year five, PlayCare will be debt free.

# Social/Environmental Impact Analysis

PlayCare provides access to high-quality childcare services at a rate that is affordable for incomefragile families. In addition, PlayCare provides children, who have disabilities, with access to a variety of otherwise unaffordable and unattainable therapeutic services while providing parents a feasible and reliable facility that meets their needs and encourages holistic development of children. Moreover, PlayCare partners with East Carolina University and hires recent East Carolina graduates as full-time child specialists. Students gain valuable training and experience while contributing to PlayCare's mission and helping local income-fragile families.

## Sources:

Burger, K. (2010). How does early childhood care and education affect cognitive development? An international review of the effects of early interventions for children from different social backgrounds. *Early Childhood Research Quarterly, 25,* 140–165

Myers, R. (2004). "Paper commissioned for the EFA Global Monitoring Report 2005, The Quality Imperative".

# Appendix A: Financial Projections and Market Statistics

Start-up Costs	
Supplies (Office and Operating)	\$600
Marketing	\$5,000
Accounting and Legal	\$250
Rent	\$4,000
Telephone/Internet	\$175
Utilities	\$500
Insurance	\$150
Licensing / Permits	\$250
Loan Payments	\$1,188
Fixtures and Equipment	\$10,000
Decorating / Remodeling	\$1,000
Installation of Fixtures /Equipment	\$500
Misc Expenses	\$250
Total Start-up Costs	\$23,863

Revenue Assumptio	ons
Working Days in Month	24 days
Average Number of Kids per Day	50 kids
Average Length of Stay	2.5 hours
Price per Hour	\$7.25 per hour
Employee / Payroll Assu	mptions
Number of Employees (exluding owners)	5 employees
Hours Worked per Month	160 hours
Pay Rate	\$9.00 per hour
Payroll Expenses (Taxes, Benefits, Etc.)	30% of gross wages
Cost of Capital Assum	otions
Loan Amount	\$60,000
Interest Rate	7.00%
Length of Term	60 months
Monthly Payment	\$1,187.07

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	Start-Up	FEB 2015	MAR 2015	APR 2015	MAY 2015	JUN 2015	JUL 2015	AUG 2015	SEP 2015	OCT 2015	NOV 2015	DEC 2015	TOTAL 2015
	ŚO	\$36.137	\$37.423	\$38.709	\$39.995	\$41.281	\$42.567	\$43.253	\$43.939	\$44.624	\$45.310	\$45.996	\$46.682
CASH RECEIPTS													
Cash Sales	\$0	\$21,750	\$21,750	\$21,750	\$21,750	\$21,750	\$21,750	\$21,750	\$21,750	\$21,750	\$21,750	\$21,750	\$239,250
Loan or Other Cash Injection	\$60,000	\$21,750	\$21,750 \$0	\$21,750	\$21,750 \$0	\$21,750 \$0	\$21,750 \$0	\$21,750	\$21,750 \$0	\$21,750	\$21,750	\$21,750 \$0	\$239,230
TOTAL CASH RECEIPTS	\$60,000	\$0 \$21.750		\$0 \$21.750	\$0 \$21.750								
TOTAL CASH RECEIPTS	\$60,000	\$21,750	\$21,750	\$21,750	\$21,750	\$21,750	\$21,750	\$21,750	\$21,750	\$21,750	\$21,750	\$21,750	\$299,250
TOTAL CASH AVAILABLE	\$60,000	\$57,887	\$59,173	\$60,459	\$61,745	\$63,031	\$64,317	\$65,003	\$65,689	\$66,374	\$67,060	\$67,746	\$299,25
CASH PAID OUT													
Gross Wages (Excludes Withdrawals):													
Staff	\$0	\$7,200	\$7,200	\$7,200	\$7,200	\$7,200	\$7,200	\$7,200	\$7,200	\$7,200	\$7,200	\$7,200	\$79,200
Payroll Expenses (Taxes, etc -33%)	\$0	\$2,376	\$2.376	\$2,376	\$2,376	\$2,376	\$2,376	\$2,376	\$2,376	\$2,376	\$2.376	\$2.376	\$26,136
Outside Service	\$0	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$275
Supplies (Office and Operating)	\$600	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$1,700
Repairs and Maintenance	\$0	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$1.10
Marketing	\$5,000	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$10,500
Accounting and Legal	\$250	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$800
Rent	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$48,000
Telephone/Internet	\$175	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$75	\$1,000
Utilities	\$500	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$600	\$7,100
Insurance	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$1,800
Interest	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Expenses:													
Licensing / Permits	\$250	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$250
Loan Payments	\$1,188	\$1,188	\$1,188	\$1,188	\$1,188	\$1,188	\$1,188	\$1,188	\$1,188	\$1,188	\$1,188	\$1,188	\$14,25
Other Start-Up Costs:													
Fixtures and Equipment	\$10,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$10,000
Decorating / Remodeling	\$1,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,000
Installation of Fixtures /Equipment	\$500	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$500
Misc Expenses	\$250	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$1,350
Owners' Withdrawals													
Owner / Manager 1	\$0	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$3,100	\$3,100	\$3,100	\$3,100	\$3,100	\$3,100	\$31,100
Owner / Manager 2	\$0	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$16,500
TOTAL CASH PAID OUT	\$23,863	\$20,464	\$20,464	\$20,464	\$20,464	\$20,464	\$21,064	\$21,064	\$21,064	\$21,064	\$21,064	\$21,064	\$252,568
ENDING CASH POSITION	\$36,137	\$37,423	\$38,709	\$39,995	\$41,281	\$42,567	\$43,253	\$43,939	\$44,624	\$45,310	\$45,996	\$46,682	\$46,682
Period Increase or Decrease in Cash	\$36.137	\$1,286	\$1.286	\$1,286	\$1,286	\$1.286	\$686	\$686	\$686	\$686	\$686	\$686	\$46,682

		2015*		2016		2017
BEGINNING CASH ON HAND	\$	-	\$	46,682	\$	74,4
CASH RECEIPTS	_					
Cash Sales	\$	239,250	\$	309,375	\$	345,6
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TOTAL CASH RECEIPTS	\$	299,250	\$	309,375	\$	345,6
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