

# Business Leadership: Measuring Metrics that Matter

Early Childhood Education Fiscal Hub

**Vanguard**<sup>®</sup>



**CoMetrics**  
STRENGTH IN NUMBERS



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## Fiscal Hub Approach

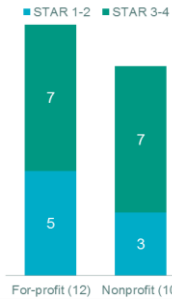
- Funded by Vanguard Strong Start for Kids Program™ and William Penn Foundation
- Created two advisory committees
- Collected granular financial and programmatic data from 22 child care centers
- Analyzed data to identify best practices, industry standards, and trends
- Conducted focus groups and interviews get feedback on the online tool, data findings, and recommendations



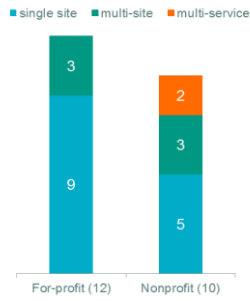
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# Overview of Provider Cohort

STAR level by business type



Sites by business type



|                             | Max         | Min      | Median    |
|-----------------------------|-------------|----------|-----------|
| Total Revenue               | \$6,154,002 | \$83,183 | \$769,746 |
| Number of years operating   | 52          | 2        | 13        |
| Number of children enrolled | 777         | 12       | 98        |



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# CoScore Metrics

| Income  |       |
|---|-------|
| Revenue per child                             | 5%    |
| Revenue per indoor square foot                | 5%    |
| Enrollment as a percentage of seats available | 7.5%  |
| Expenses                                      |       |
| Operating cost per child                      | 10%   |
| Occupancy expense per indoor square footage   | 7.5%  |
| Growth & Earnings                             |       |
| Revenue per child growth                      | 7.5%  |
| Operating margin                              | 17.5% |

| Quality  |      |
|--|------|
| Percentage of non-support staff with Associate's degree or higher  | 5%   |
| Staff cost as a percentage of total expenses                       | 7.5% |
| Teacher salary and benefits as a percentage of total staffing cost | 7.5% |
| Number of priority benefits offered to full-time staff             | 5%   |
| Financial Health   |      |
| Days cash on hand  | 15%  |



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# Fiscal Hub Online Tool

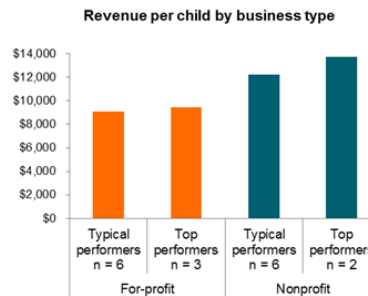
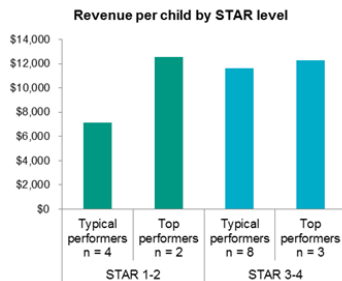
| CoScore Metrics                          | My performance | Typical performance | Top performers | My potential | Gap   |
|--|----------------|---------------------|----------------|--------------|-------|
| <b>Income</b>                            |                |                     |                |              |       |
| Revenue per Child                        | \$11,214       | \$10,106            | \$11,916       | \$11,916     | \$702 |
| Revenue per Indoor Square Foot           | \$84           | \$162               | \$126          | \$126        | \$42  |
| Enrollment as % of Seats Available       | 80.0%          | 96.4%               | 91.5%          | 91.5%        | 11.5% |
| <b>Expenses</b>                          |                |                     |                |              |       |
| Operating Cost per Child                 | \$11,340       | \$9,888             | \$10,562       | \$10,562     | \$778 |
| Occupancy Expense per Indoor Square Foot | \$11           | \$24                | \$15           | \$15         | \$4   |
| <b>Growth and Earnings</b>               |                |                     |                |              |       |
| Revenue per Child Growth                 | 3.5%           | 16.8%               | 16.9%          | 16.9%        | 13.4% |
| Operating Profit Margin                  | -1.1%          | 1.2%                | 12.3%          | 12.3%        | 13.4% |



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## Key Observations: Income

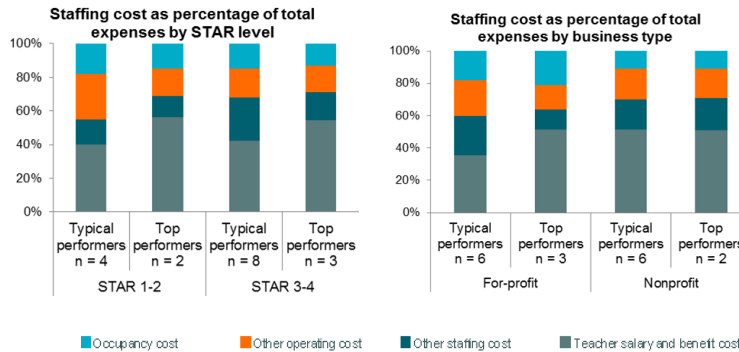
- Nonprofit top performers earned the highest amount of revenue per child at \$13,750 per child, while low-quality typical performers earned the least amount at \$7,115 per child.
- STAR 3-4 providers utilized more revenue sources than STAR 1-2 providers.



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## Key Observations: Quality

- Total staffing costs were the largest expense for all providers with the majority of providers spending approximately half of their budgets on teacher salaries and benefits.



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## Next Steps for Online Tool

- Refine online tool and expand usage across Philadelphia by recruiting and collecting data from additional providers.
- Develop and provide business management technical assistance to improve the financial skills of providers.
- Impact state and local policies by sharing providers' fiscal data with key stakeholders. Standardized fiscal requirements will be embedded within the application or reporting requirements of various local public and private funding programs.



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## Business Training & Technical Assistance Expertise & Experience

Children's Village has provided business training, coaching, and consultation to approximately 100 ECE directors/owners in Philadelphia during the past several years

- Iron Triangle
- Budgeting & Other Fiscal Reports
- Fiscal Policies, Procedures & Processes
- Braiding Funding



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## Challenges Identified in the Field

- No industry standards
- Lack of fiscal knowledge among directors/owners
- Lack of fiscal experts knowledgeable about ECE
- Lack of automation
  - Payroll & Timekeeping
  - Enrollment & Waiting List
  - Attendance & Invoicing
  - Expense & Revenue Tracking and Reporting
- Do you know if you earn more than you spend???
- Do you know what you are owed today???
- Are you fully enrolled today???



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## Proposed ECE Industry Standards

| Metric  | Target                                    | CoScore metric | Metric                                     | Target                        | CoScore metric |
|---|---|----------------|--|-------------------------------|----------------|
| Revenue per child                             | Review alongside operating cost per child | ✓              | Operating margin                           | >0%                           | ✓              |
| Enrollment as a percentage of seats available | >90%                                      | ✓              | Staff cost as percentage of total expenses | 70-80% of total expenses      | ✓              |
| Percentage of tuition fees uncollected        | <2%                                       | ✓              | Number of priority benefits                | 4                             | ✓              |
| Operating cost per child                      | Review alongside revenue per child        | ✓              | Multi-year operating profit                | >\$0 and increasing over time | ✓              |
| Occupancy expense per indoor square footage   | <15% of total expenses                    | ✓              | Days cash on hand                          | At least 60 days              | ✓              |
| Revenue per child growth                      | Adjusts annually                          | ✓              |  |                               |                |



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## Training & Technical Assistance

### Fiscal Training specific to ECE Fiscal Hub

- Standard Chart of Accounts
- The meaning of data elements, standards and reports in Fiscal Hub

### Two Tiers of Technical Assistance

- Budgeting and Reporting
- Implementing business practices and aligning performance to industry standards

### Multiple Anticipated Outcomes

- Improve the financial skills of providers
- Change business practices to improve fiscal stability of providers
- Standardize fiscal data collection across providers
- Increase automation in the ECE field to ensure enrollment/attendance, timekeeping, and fiscal data are readily available for providers to use in managing business operations



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## Clarify the Message

### What “be financially sound” means now

- Have a budget
- Have a business plan
- Have financial reports

### What “be financially sound” will mean in the future

- Use an ECE- specific chart of accounts
- Use a fiscal team expert in ECE
- Use technology to support accurate fiscal data collection and actionable reporting
- Meet specific business metrics (Iron Triangle)
- Meet industry standards



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## Future Impacts

- **More financially stable ECE programs and businesses**
- **Increased supply of qualified vendors** with ECE expertise to better support providers.
- **Modified state and local policies** based on availability of accurate, consistent providers' fiscal data to key stakeholders.
- **Replication of the Fiscal Hub model** across Pennsylvania and with national partners.



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## Resources

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ECE Fiscal Hub Report URL

[http://www.ecactioncollective.org/images/ECE\\_Fiscal\\_Hub\\_Report\\_FINAL.pdf](http://www.ecactioncollective.org/images/ECE_Fiscal_Hub_Report_FINAL.pdf)

