

<b>Accounts Payable</b> .....	Amounts you owe/bills you need to pay.
<b>Accounts Receivable</b> .....	Money owed to your business.
<b>Assets</b> .....	Value of everything owned by the business. Including inventory, equipment, furniture, accounts receivable, cash, land and property.
<b>Balance Sheet</b> .....	The financial statement that shows the financial position of the business at a certain specified date. It shows the business assets (what the business owns), business liabilities (what the business owes) and the owner's equity (owner's personal investment plus profits).
<b>Beginning Cash</b> .....	Total cash in the business checking account, savings and petty cash at the beginning of any accounting period.
<b>Break-Even Analysis</b> .....	Calculation of level of sales (e.g.-- money from parents) necessary to pay all costs and reach profit goals.
<b>Budget</b> .....	Plan that includes a list of proposed expenditures and expected revenues for a specified period of time.
<b>Capital Expenditure</b> .....	Money spent for any asset or improvement that will be used in the business for more than one year.
<b>Cash Flow</b> .....	Pattern of money coming into and going out of the business, indicating how much and when cash will be needed for operation of the business.
<b>Collateral</b> .....	Assets pledged to secure a loan or other debt.
<b>Current Assets</b> .....	Cash or other assets you expect to use within one year.
<b>Current Liabilities</b> .....	Debt or accumulated expenses expected to be paid within one year.
<b>Debt Financing</b> .....	Borrowing money to start your business.
<b>Debt Service</b> .....	Money spent to repay debt, including both principal and interest.
<b>Deductions</b> .....	Business operation expenses that may be used to reduce business gross profits for tax purposes.
<b>Deficit</b> .....	A shortage of funds. When expenses are great than income for a given period. Called "in the red".
<b>Depreciation</b> .....	Accounting allowance reducing the value of land, equipment, buildings or furniture (fixed assets) according

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	to IRS schedule. Generally based on use or passage of time.
<b>Depreciation Schedule</b> .....	Table showing the amount per year and number of years over which an asset is depreciated.
<b>Direct Cost Percentage</b> .....	Percentage of a child care provider's income that goes into business expenses directly related to caring for children.
<b>Direct Costs</b> .....	Expenses that vary with the number of children served. Also known as variable costs.
<b>Ending Cash</b> .....	Total cash in checking, savings and the petty cash fund at the end of any accounting period.
<b>Equity</b> .....	Portion of total value of business that is equal to the owner's investment plus profit. Also called Capital.
<b>Equity Financing</b> .....	Using your own money to start your business.
<b>Equity Injection</b> .....	Value of money or items contributed by owner for use by the business.
<b>Expenses</b> .....	Cost of producing revenue through the sale of your service or goods.
<b>Financial Statements</b> .....	Written record of the financial status of the business. Includes the balance sheet, income statement and cash flow statement.
<b>Fiscal Year</b> .....	Any 12 month accounting period used by the business.
<b>Fixed Assets</b> .....	Physical assets such as buildings, equipment, or property that are not expected to be converted to cash in the next year.
<b>Gross Profit</b> .....	Total revenue minus direct costs. Also known as gross profit margin.
<b>Income Statement</b> .....	Document showing the sources and amount of income; costs and expenses of providing service and the amount of profit or loss during a specific period of time. Also called a profit and loss statement.
<b>Income Tax Expense</b> .....	Annual or quarterly federal, state, and local taxes.
<b>Indirect Costs</b> .....	Expenses that <u>do not</u> vary with number of children served. May include utilities, telephone, printing, occupancy. Also known as fixed costs, operating costs or overhead.
<b>Interest Expense</b> .....	Money paid on business loan or any other payable.
<b>Inventory</b> .....	Dollar value of consumable supplies and material on hand.

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<b>Liabilities</b> .....	Value of everything owed by the business including accounts payable, income taxes, and loan payments. A current liability is a debt that will be paid within the current year; a long-term liability is a debt that will be carried for longer than the current year.
<b>Ledger</b> .....	A record-keeping format that records business income and expenses by category.
<b>Line of Credit</b> .....	A bank's promise to lend a borrower up to a pre-agreed amount during a specific time frame. Usually reviewed annually and subject to cancellation without notice.
<b>Liquid Assets</b> .....	Current assets that can be quickly turned into cash.
<b>Liquidity</b> .....	Having enough current assets to cover current obligations.
<b>Major Equipment Expense</b> ..	Money spent for the purchase of equipment typically valued over \$100 and used in the business for more than one year. These items can generally be depreciated.
<b>Negative Cash Flow</b> .....	Occurs when the immediate demand for cash is greater than the cash currently on hand.
<b>Net Assets</b> .....	Difference between the amount of your current assets and your current liabilities.
<b>Net Income</b> .....	Total income remaining after all expenses are paid.
<b>Net Profit</b> .....	Total revenue minus direct costs and operating costs. Also called net profit margin.
<b>Net Worth</b> .....	Excess of assets over debt.
<b>Operating Costs</b> .....	See Indirect Costs
<b>Owner Draw</b> .....	Money taken from profits of the business for the personal use of the owner.
<b>Owner's Equity</b> .....	Financial interest of the owner of the business. The total of all owner equity is equal to the business's assets minus its liabilities.
<b>Profitability</b> .....	Ability of a business to make a profit, break even or lose profit.
<b>Profit Goal</b> .....	Amount of profit the owner expects the business to produce in a given period of time.
<b>Projection</b> .....	Calculation of future income and expenses.
<b>Profit and Loss Statement</b> ...	See Income Statement. For non-profits called the Statement of Activities and Changes in Net Assets.
<b>Receipt</b> .....	Written statement acknowledging payment.

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- Revenue** ..... Income received by the business.
- Unearned Income** ..... Revenue that has been received but not yet technically earned such as prepaid tuition for upcoming weeks.
- Working Capital** ..... Basic measure of a businesses ability to pay its current obligations. Current assets minus current liabilities.

*Leading the Way for Child Care in North Dakota*

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Eastern North Dakota 800-941-7003 or 218-299-7026 ~ Western North Dakota 888-223-1510 or 701-223-1510

[www.ndchildcare.org](http://www.ndchildcare.org)

