

## ***Financial Management: Essential Activities<sup>1</sup>***

Effective financial management involves three major activities:

1. Developing policies and procedures for the following functions:
  - Purchasing and Making Payments
  - Receiving Payments
  - Billing
  - Collecting Parent Fees
  - Depositing Fees
  - Preparing Payroll
2. Developing monthly income and expense statements that serve as a summary of the month's financial activities, comparing expenditures to date to the budgeted amount for each line item.
3. Analyzing patterns of income and payments and developing systems for managing cash flow effectively. Areas to look at include:
  - Collecting fees in a timely manner
  - Timing purchases and expenses
  - Adjusting costs during low enrollment
  - Developing a cash reserve account

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<sup>1</sup> Adapted and excerpted from *School-Age Child Care Technical Assistance Paper Number 4: Money Matters: Financial Management of School-Age Child Care Programs*. Commonwealth of Pennsylvania, 1985.