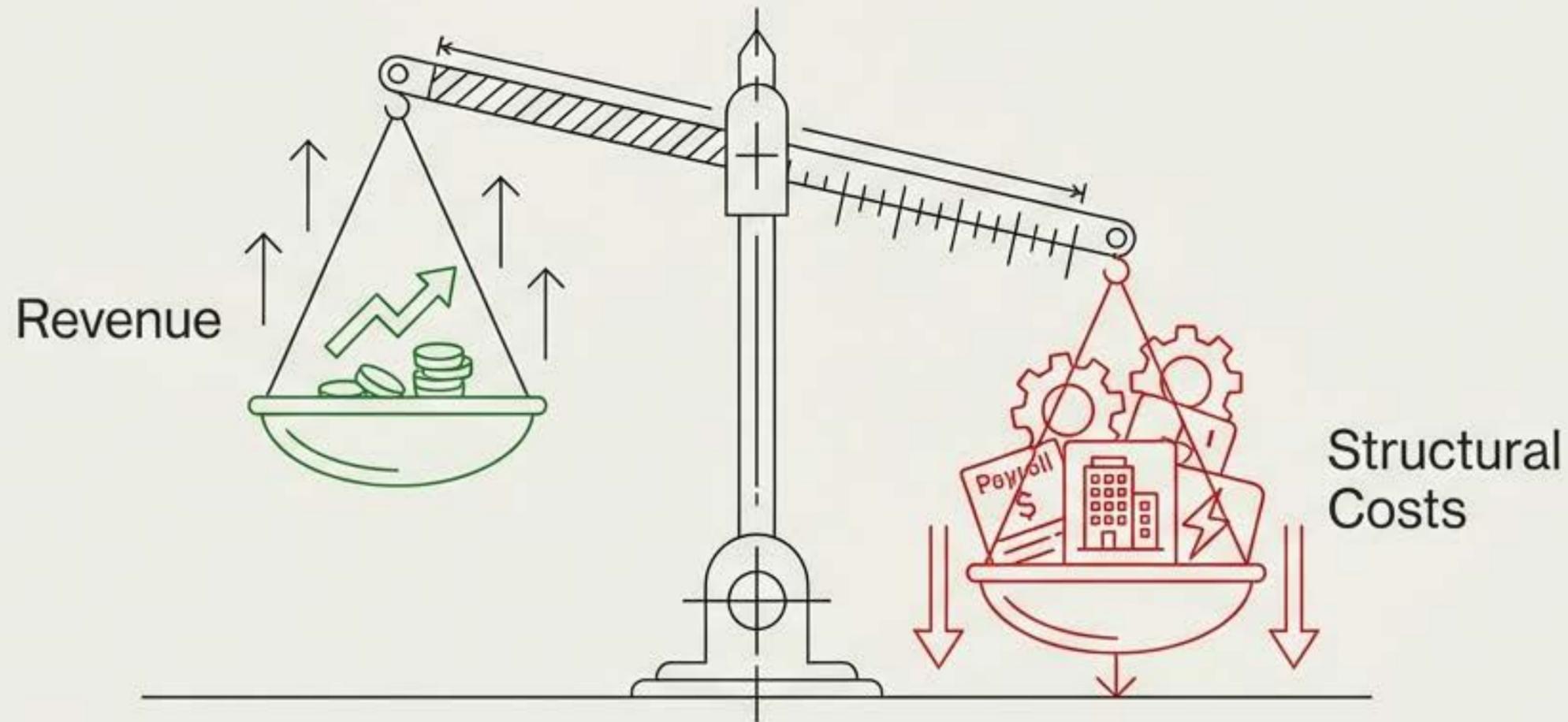


Operational Economics of the After-School Program

Structural Cost Analysis, Revenue Requirements, and Path to Solvency



PREPARED FOR:
Founders & Investment Stakeholders

CURRENT STATUS:
Diagnostic Phase

The current model loses 40 cents on every dollar before rent is paid.

Achieving break-even is mathematically impossible until the variable cost ratio flips. The immediate action required is cost reduction, not volume growth.



CONSULTANT NOTE:

Warning: You are currently discussing structural survival, not growth.

140%

Variable Costs / Revenue Ratio

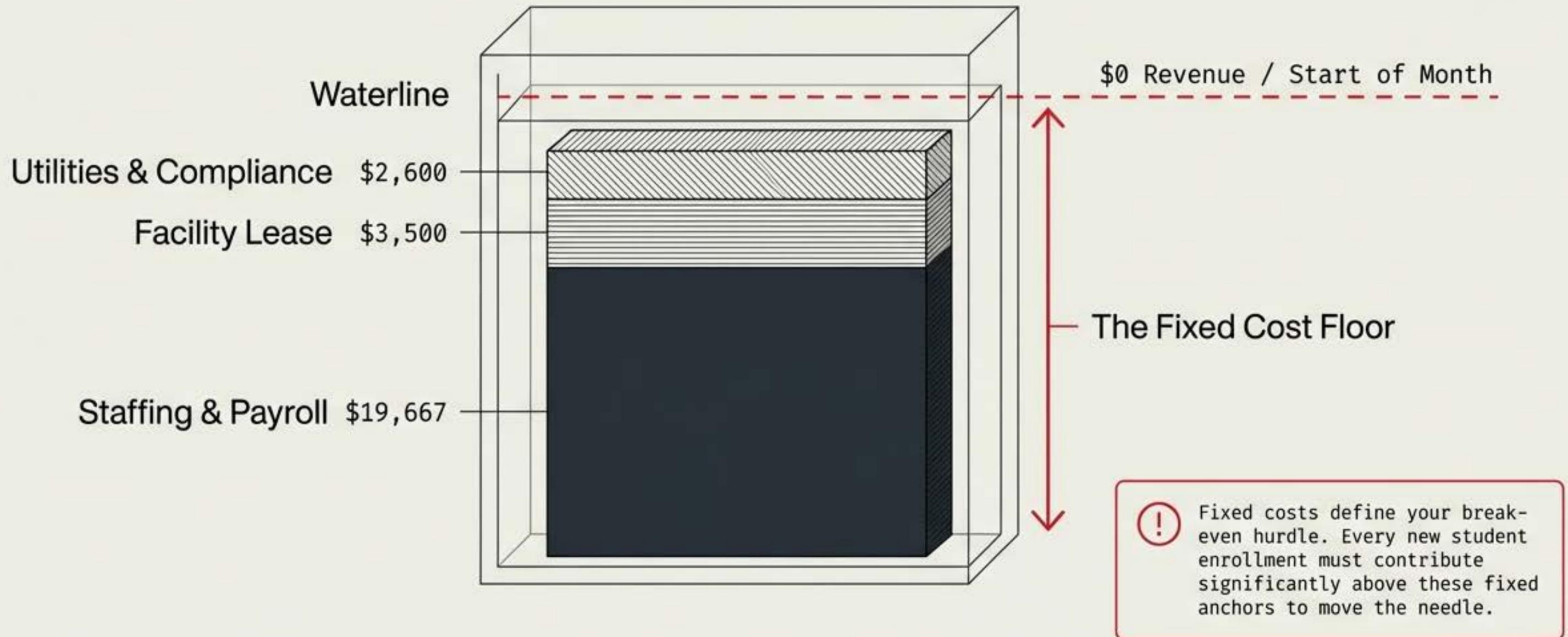
-40%

Contribution Margin

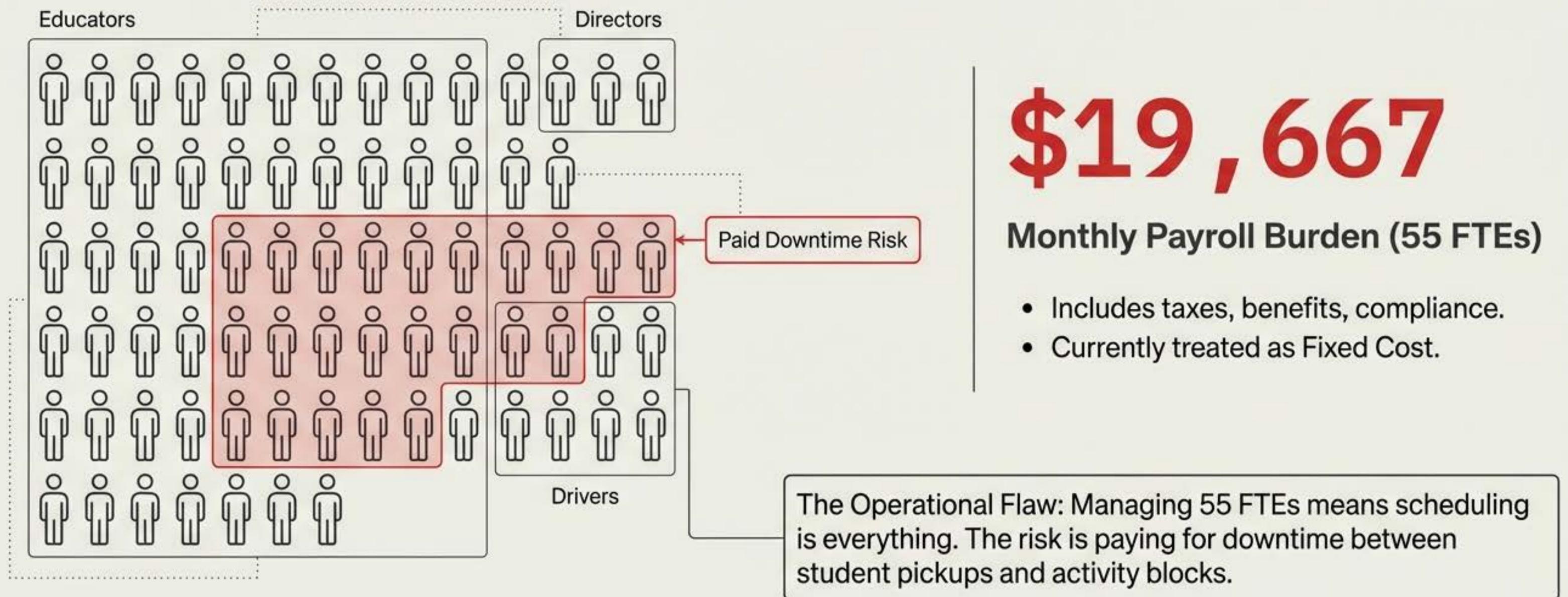
Fixed Monthly Overhead: **\$26,217** (Regardless of Enrollment)

Financial Audit

You start every month \$26,217 in the hole.



Staffing is the dominant financial driver and largest risk.



ACTION: Substitute full-time roles with part-time staff to reduce benefits overhead. Use contract drivers for transport runs.

Operational overhead is non-negotiable and demands high utilization.



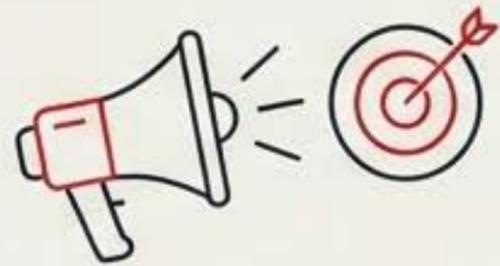
The Lease: \$3,500/mo
Utilities & Cleaning: \$1,400/mo
Compliance Baseline: \$1,200/mo (Ins/Legal)

These costs are static. The only leverage is increasing the number of students absorbing them.



Avoid signing long-term deals until you validate demand for your 500% occupancy goal.

Variable spending assumptions are dangerously high.

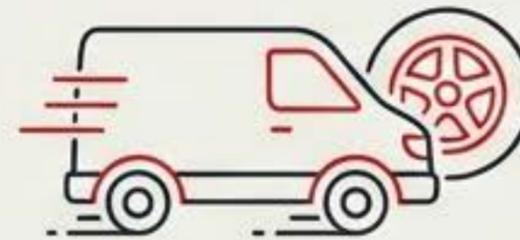


Marketing (The Gamble)

50% of Revenue

\$131,250/mo target

Spending half of revenue on marketing is risky if conversion rates are low.



Vehicles (The Burden)

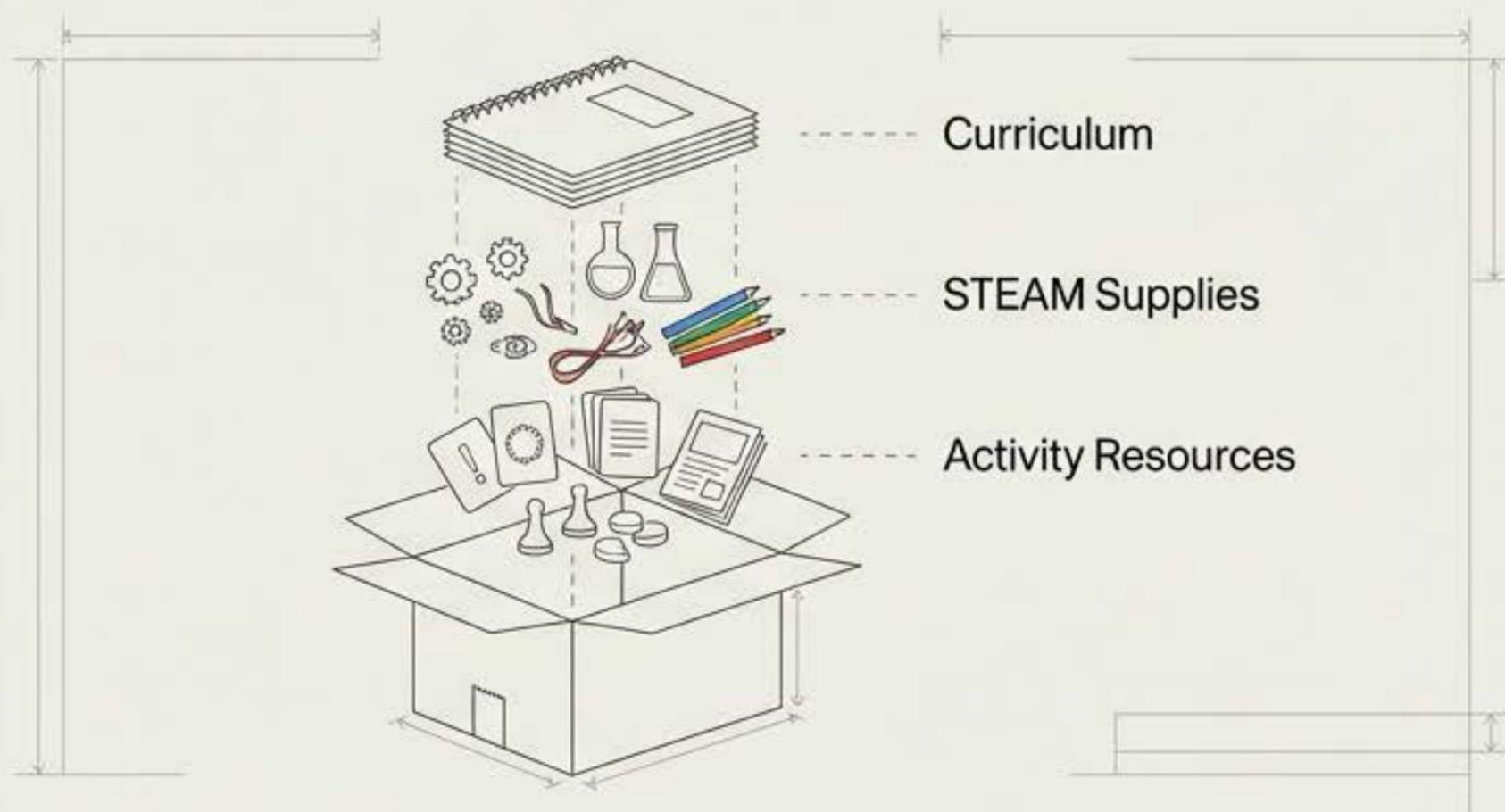
40% of Revenue

\$105,000/mo target

High utilization without excessive idling is required to fix fuel economy.

INSIGHT: These costs scale WITH revenue. If you miss revenue targets, these budgets must be slashed immediately.

Service delivery costs consume the remaining margin.



30% of Enrollment Revenue
\$78,750 per month target.

Risk Analysis:

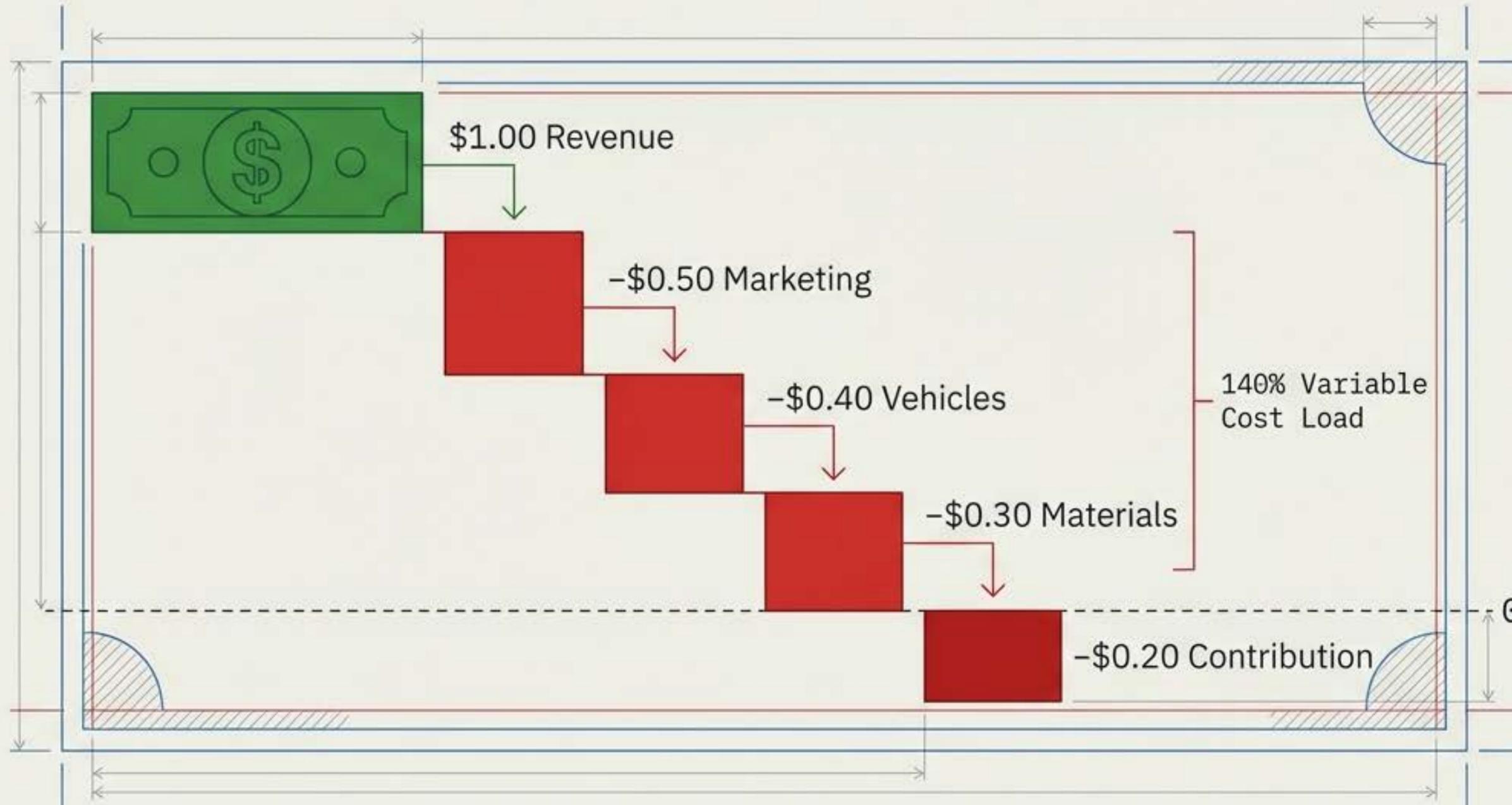
Since materials are 30% of revenue, they scale instantly. Supply chain lead times could cause delays.

Action Item:

Standardize kit contents to negotiate bulk pricing. Avoid buying specialized inventory too far ahead of need.

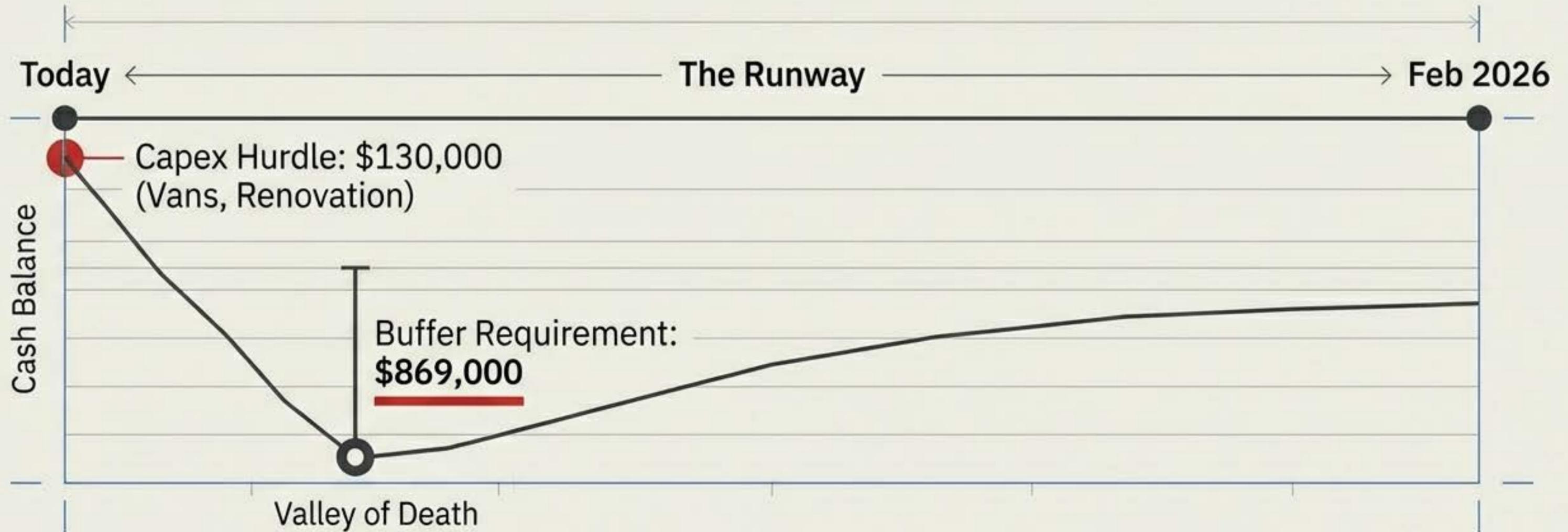
! **INSIGHT:** These costs **scale WITH revenue**. If you miss revenue targets, these budgets must be slashed immediately.

You cannot scale your way out of negative unit economics.



Break-even is mathematically impossible with current ratios. You must flip the ratio (reduce variable spend) before scaling.

Survival requires a capital bridge of \$869,000.



Purpose: This buffer must absorb early operating deficits and the 55 FTE payroll burden while enrollment ramps up.

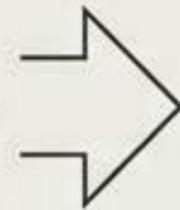


Critical: If enrollment stalls, you must know exactly how many months of fixed costs this buffer covers.

The “Magic Number” for survival is 59 students.

 **\$26,217**
(Fixed Cost)

 **\$450**
(Tuition)



 **59**
Students

**Sensitivity Analysis
(10% Tuition Drop)**

\$450 → \$405
Tuition

→

Requirement rises to:
65 Students



This assumes variable costs have been controlled. If variable costs remain at 140%, NO amount of students results in profit.

Contingency Protocols and Risk Triggers.

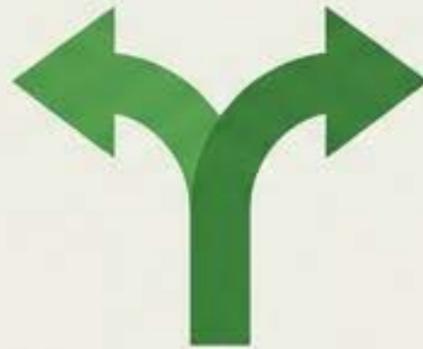
The Kill Switch



Trigger: If enrollment < 40% occupancy

Action: Initiate immediate staffing reductions

Diversification



Action: Utilize Holiday Camp Fees

Value: \$1,500 annual supplement per student to offset monthly deficits

Liquidity Rule



Rule: Maintain 3 Months Operating Costs

Target Reserve: ~\$90,000 liquid at all times

The Strategic Path to Sustainability.

<input checked="" type="checkbox"/>	CAPITALIZE: Secure \$869k buffer and \$130k Capex before first tuition payment.
<input checked="" type="checkbox"/>	RESTRUCTURE: Convert Full-Time staff to Part-Time to lower \$19k payroll.
<input checked="" type="checkbox"/>	AUDIT: Aggressively review Marketing (50%) and Vehicle (40%) spend.
<input checked="" type="checkbox"/>	VALIDATE: Confirm the \$450/mo tuition price point.

"Understanding your core mission is crucial before making cuts, but financial solvency is the prerequisite for that mission."