COVID-19 Financial Survival Strategies for Early Childhood Programs

EMERGENT RESOURCES AND ADVICE

Introductions

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First Children’s Finance Theory of Change

Multi-level Approach

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Child care is a small business with BIG impact.
First Children's Finance helps child care entrepreneurs start and grow sustainable child care businesses.

Objectives for Today's Webinar
- Use financial data to inform decisions
- Manage a program with reduced enrollment/operations
- Manage the temporary closure of a program
- Plan for the reopening of your program
- Explore access to emergency operating capital

Acknowledgements
- Timing of this webinar
- FCF is not advising to cease operations or defy executive orders
- Information overload and constantly changing information

This is a stressful time!
Don’t Put Off Tomorrow What You Can Do Today

BE PROACTIVE, NOT REACTIVE

Cash is King

Businesses who were struggling before COVID-19 are particularly vulnerable.
- Low cash reserves
- Unstable cash flow

Act Now – Determining Cash

CASH BUFFER DAYS
the number of days a business could pay out of its cash balance without additional income

- Average small business has 27 days of cash on hand
- 25% of small businesses have less than 13 days of cash on hand
- 76% of households have less than $400 in liquid assets - family child care
Act Now – Determining Cash

\[ \frac{\text{Cash Balance}}{\text{Cash Outflows}} = \text{Number of Cash Buffer Days} \]

Act Now – Determining Cash

Aren’t sure how to project your cash flow?

Finance tools for child care centers:
http://www.firstchildrensfinance.org/businessresourcecenter/centers-2/finance/finance-tools/

Finance tools for family child care:
http://www.firstchildrensfinance.org/businessresourcecenter/centers-2/finance/finance-knowledge/

Crunch the Numbers

IMMEDIATELY MOVE BEYOND FEAR
Do the Math – Determining Cash

In a time of limited cash inflows, you should monitor your cash weekly, or every few days, if necessary.

Particularly if:
• you’ve already closed your program
• you’re experiencing lower revenue due to lower enrollment

Do the Math

Plan for best and worst case scenarios. Make a decision tree to guide your actions.

Do the Math – Then Take Action

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<th>DO:</th>
<th>DON'T:</th>
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<td>Negotiate short-term relief from your lenders</td>
<td>Pretend this situation will go away</td>
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<td>Negotiate payment schedules with vendors and suppliers</td>
<td>Avoid lenders and creditors; most are willing to work with you</td>
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<td>Shift from a “profit &amp; loss” mindset to a “cash” mindset</td>
<td>Promise payments you can’t deliver; be unrealistic and honest</td>
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<tr>
<td>Conserve your cash</td>
<td>Borrow money at high interest rates or from disreputable sources; avoid payday lenders or predatory financing terms; read the fine print</td>
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Managing a Child Care Business with Reduced Enrollment

Operating with Reduced Enrollment

If you’ve made the decision to continue operations, these are the factors to include in your decision tree:

• Your ability to meet ratios with staff (centers)
• Your ability to ensure a healthy and safe environment
• Your ability to secure food for meals
• Your ability to access cleaning and sanitation supplies

SERVING ESSENTIAL WORKERS

• Project how much income (cash inflows) you will need to meet your financial obligations (cash outflows).
• Account for increased number of private pay families being unable to pay as a result of furloughs and loss of employment.
• If you have employees, align your personnel costs to reflect the amount of children enrolled and the cash available to your business.
• Conserve cash. If you are required to shut down due to a COVID-19 exposure, you will need operating cash to start up again. Do not completely deplete your financial resources.
Operating with Reduced Enrollment

Get creative about generating income.

- Market directly to essential worker populations.
- Explore providing extended hours of care, part-time enrollment, or drop-in care. Contact your licensing agency in your county or state for guidance.
- Continue to monitor cash flow and staff your program appropriately.

Managing a Temporary Closure of a Program

PLAN FOR THE WORST CASE SCENARIO

Managing a Program Closure

All of us are hoping to avoid closure. But, if you’ve already had to close (voluntarily or involuntarily), or your business is at risk of closure, here are some things to consider:

- Ensure any employees are aware of unemployment and health care coverage options.
- Program operation closure does not mean business closure. You still have work to do!
- Continue to project cash flow, and conserve your cash as best you can.
Managing a Program Closure

Prioritize your expenses.
- Family child care providers should prioritize their facility costs (e.g. rent/mortgage) first, particularly if any other household income has been diminished.
- Negotiate terms of any overdue expenses.
- Talk directly with lenders, creditor, and vendors. Be honest about what and when you can pay. Everyone is impacted by COVID-19: do not be ashamed or embarrassed.

Carefully consider taking on new debt.
- Ask yourself whether or not you can afford additional debt in the future. Be certain you are borrowing money from a reputable lender. Project future cash flow!

Managing a Program Closure

Re-Opening Expenses
- Cleaning facility/home after a COVID-19 exposure
- Repurchase of food
- Cash to cover first payroll without additional income
- Costs associated with hiring or recruiting staff
- Supplies that may have expired
- Marketing costs to recruit new families

As soon as possible, start estimating the amount of operating capital you’ll need to restart your program. Programs who have detailed financial projections may be better positioned to obtain financing or philanthropic support. Family child care could be positioned to re-open faster than centers.

Managing a Program Closure

As you plan for a re-start date, include these factors in your financial projections:
- Families will re-enroll in waves; don’t anticipate 100% enrollment when your doors open
- For centers, it is critical to staff to enrollment levels
- It will be journey back to financial sustainability; continue to project cash flow as often as is helpful for your decision-making
Planning to Reopen

A Phased Approach to Reopening

• Reflect on the lessons from the Great Recession to guide expectations for our economic recovery (18 months – 3 years)
• Child care’s current business model has depending on private pay enrollment in order to be successful
• Timing of your state’s economic recovery is largely unknown, but will be important to your reopening
• If you have closed, you should approach your reopening like a start-up

Phased Approach to Reopening

Projecting enrollment drives decisions about bringing back staff; although you will want to re-hire everyone quickly, you must match staffing to enrollment to meet ratios and group sizes
**Grit**  
**TAKE A DEEP BREATH, YOU CAN DO THIS!**

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**Closing Thoughts**

- Using financial information is imperative to the survival of your business.
- Child care is a unique model that doesn’t operate quite like other businesses.
- Profitability does not mean you value money over children.
- Raise your voice as a child care entrepreneur and advocate for your needs as small business.

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**Looking for more?**

We stand ready to help. Refer to the handouts included with this webinar for links to business resources.

Visit [www.firstchildrensfinance.org](http://www.firstchildrensfinance.org) for more FREE resources.