Lauren M. Small, MBA

Rebuild Your ECE Program for the New Normal

PART 1: BUSINESS PRACTICES

Our Company

What We Do:
• Business Management Training Programs
• Business Consulting
• Technology Implementation
• Train-the-Trainer for Communities

Part 1: Business Practices

Agenda
• What is the New Normal?
• Strategic Planning for the New Normal
• Market-Driven Decision Making
• Financial Forecasting
• Financial Management
• Financial Controls
What is the New Normal?

• Director, staff & parent fear
• Extreme uncertainty
• Increased requirements for providers
• Teacher shortage
• Lower enrollment
• Long period of economic recovery
• Businesses will close permanently

POLL QUESTION

• Not fear-driven
• Responsive
• Innovative
• Business acumen
• Financial awareness
• Effective use of technology
• Effective decision-making processes

New Normal Mindset
Put on Your Business Hat!

We as an industry do not have solid business practices, business models and business acumen.

Business Foundation Key to COVID-19 Rebuilding Success
The ECE Business Model

MISSION

VISION

Operations Management

Financial Management

Marketing

Human Resources Management

Sound Business Decisions

Driven by Fear

Follow a Process

Strategic planning process:
1. Establish a Goal
2. Gather information, research, discuss, plan
3. Understand the financial implications of each scenario
4. Make informed decisions, best way forward

Get S.M.A.R.T.

Is it Specific?
Objectives Measurable?
Includes specific Actions?
Includes specific Responsibilities?
Includes specific budgets?
Includes Timeline
Financial Forecasting Process

- Projected Tuition & Revenue
- Projected Expenses
- Payroll Cost Projection
- Can we break even?
- Can we make money?

Adjustments?

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### Monthly Cash Flow

<table>
<thead>
<tr>
<th></th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Cash</td>
<td>11,000</td>
<td>104,193</td>
<td>106,774</td>
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<tr>
<td>Loan: EDL Advance</td>
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<tr>
<td>Loan: EDC</td>
<td></td>
<td></td>
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<tr>
<td>Grant: CARES ACT</td>
<td>103,000</td>
<td>103,000</td>
<td>103,000</td>
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<tr>
<td>Owner Inflation</td>
<td>11,550</td>
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<td>11,550</td>
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<tr>
<td><strong>Total Cash and Loans</strong></td>
<td>131,550</td>
<td>115,743</td>
<td>106,774</td>
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<tr>
<td><strong>Cash from Business Activity</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Tuition</td>
<td>42,120</td>
<td>42,120</td>
<td>42,120</td>
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<tr>
<td>Subsidies</td>
<td>2,194</td>
<td>2,194</td>
<td>2,194</td>
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<tr>
<td>Contributions</td>
<td>(105)</td>
<td></td>
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<tr>
<td><strong>Total Cash</strong></td>
<td>175,164</td>
<td>160,327</td>
<td>151,058</td>
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### Expenses

<table>
<thead>
<tr>
<th></th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
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</thead>
<tbody>
<tr>
<td>Payroll</td>
<td>42,120</td>
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<td>Rent</td>
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<td><strong>Total Payroll</strong></td>
<td>53,394</td>
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<td>Other Expenses</td>
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Money coming in - REVENUE

- Tuition
- Subsidy Payments
- CACFP reimbursements
- Loans
- Grants
- Donations
- Consider timing
Forecast every child every classroom

<table>
<thead>
<tr>
<th>Enrollment/Attendance</th>
<th>May 20</th>
<th>May 21</th>
<th>May 22</th>
<th>May 23</th>
<th>May 24</th>
<th>May 25</th>
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<tr>
<td>N Capacity</td>
<td>55%</td>
<td>55%</td>
<td>55%</td>
<td>55%</td>
<td>55%</td>
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<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Toddler 1</td>
<td>15</td>
<td>7.5</td>
<td>7.5</td>
<td>7.5</td>
<td>7.5</td>
<td>7.5</td>
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<tr>
<td>Toddler 2</td>
<td>0</td>
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<td>4.5</td>
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<tr>
<td>Toddler 2 12m</td>
<td>0</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
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<tr>
<td>Preschool 1</td>
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<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
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<tr>
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<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
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<tr>
<td>Preschool 2</td>
<td>0</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
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<tr>
<td>Free</td>
<td>20</td>
<td>11</td>
<td>11</td>
<td>11</td>
<td>11</td>
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<tr>
<td>Kindergarten</td>
<td>18</td>
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<td>13.5</td>
<td>13.5</td>
<td>13.5</td>
<td>13.5</td>
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<tr>
<td>Pre-K, Head First</td>
<td>18</td>
<td>18.5</td>
<td>18.5</td>
<td>18.5</td>
<td>18.5</td>
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</table>

Forecast tuition on forecasted attendance

<table>
<thead>
<tr>
<th>Year</th>
<th>2019</th>
<th>2020</th>
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<tr>
<td>Toddler 1</td>
<td>$3,200.00</td>
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<td>$3,250.00</td>
<td>$3,250.00</td>
<td>$3,250.00</td>
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<tr>
<td>Toddler 2</td>
<td>$2,700.00</td>
<td>$2,750.00</td>
<td>$2,750.00</td>
<td>$2,750.00</td>
<td>$2,750.00</td>
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<tr>
<td>Toddler 12m</td>
<td>$1,100.00</td>
<td>$1,150.00</td>
<td>$1,150.00</td>
<td>$1,150.00</td>
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<tr>
<td>Preschool 1</td>
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<td>$550.00</td>
<td>$550.00</td>
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<tr>
<td>Preschool 2</td>
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<tr>
<td>Free</td>
<td>$200.00</td>
<td>$250.00</td>
<td>$250.00</td>
<td>$250.00</td>
<td>$250.00</td>
</tr>
<tr>
<td>Kindergarten</td>
<td>$1,600.00</td>
<td>$1,650.00</td>
<td>$1,650.00</td>
<td>$1,650.00</td>
<td>$1,650.00</td>
</tr>
<tr>
<td>Pre-K, Head</td>
<td>$4,100.00</td>
<td>$4,150.00</td>
<td>$4,150.00</td>
<td>$4,150.00</td>
<td>$4,150.00</td>
</tr>
<tr>
<td>Total, Adult, Refs</td>
<td>$3,700.00</td>
<td>$3,750.00</td>
<td>$3,750.00</td>
<td>$3,750.00</td>
<td>$3,750.00</td>
</tr>
</tbody>
</table>

Money going out - Expenses

- Review all expenses
- Reduce if possible
- Timing
- Eliminate non-essentials
- Plan for increases
- Labor cost analysis
Moving on…

POLL QUESTION
Financial Management System

Revenue

Expenses

BOOK-KEEPING SYSTEM

Money Coming In

Money Going Out

Financial Statements

Your decision-making data!

Financial Statements

- Profit and Loss Statement
- Balance Sheet
- Cash Flow Projection
- Account Receivable
- Accounts Payable
- Payroll Reports
- Critical Metrics Report
- Budgets

Best Practice

KEY METRICS

- Revenue
- Accounts Receivables
- Enrollment
- Labor Costs
- Center Specific
Benchmarking is the process of comparing one's business processes & performance metrics to industry bests or best practices from other companies.

Managerial Decision-Making

- Systems and Internal Control Practices
- Maintain an 8 week cash flow projection
- Reports
- Know Your Costs
- Know Your Metrics/Goals
Essential Internal Controls

• Strong Record Keeping
• **Junk In – Junk Out**
• Reconcile monthly bank statements
• Avoid co-mingling with personal
• Maintain an 8 week cash flow projection.
• Set up inventory control systems

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Essential Internal Controls

• Review all outgoing payments.
• Require vendors to submit detailed invoices.
• Sign checks yourself.
• Review payroll before it goes out. Delegate financial duties to multiple employees/professionals.
• Check up on employees involved with your business finances.
• Monitor your use of debt.
• Plan ahead for business financing.

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**STAY on Course**

• Set Goals
• Keep Reporting Simple
• Understand the Numbers
• Review for Trends
• Be Consistent - Weekly
• Adjust Quickly
What to Automate

- Documentation
- Accounting
- Fees
- Parent Communication
- Student Management
- Employee Management

How to Automate

- Determine your Need
- Eliminate time-consuming manual
- Evaluate Software
- Set a timeline
- Develop implementation plan
Management Team

1. Accountant
   - Taxes
   - Maybe helpful with financial systems
   - Need timely reports
   - Options
     - Bookkeeper
     - Direct hire
     - Services

2. Banker
3. Insurance Broker
4. Corporate Attorney

Shared Services

- Pooling Resources
- Improving Business Model
- Long-Term Sustainability

www.opportunities-exchange.org

Business Support Services

For business planning, financial projections and access to capital:

- Search for help by using the SBA tool
  https://www.sba.gov/local-assistance
- America’s SBDC Network
  www.americassbdc.org
- SCORE
  https://www.score.org/
- Women’s Business Outreach Centers
Additional Resources
Early Education Business Consultants
www.EarlyEducationBusiness.com
COVID-19 Business Resource Center

Strategic Planning Worksheet
Financial Forecasting Worksheet

Early Childhood Investigations
Financial Management Webinars