COVID-19 Financial Survival Strategies for Early Childhood Programs

FIRST CHILDREN'S FINANCE

EMERGENT RESOURCES AND ADVICE

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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

Increase financial sustainability

Empower child care business leaders

Invest capital in high quality child care businesses

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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

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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!

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Don't Put Off Tomorrow What You Can Do Today

BE PROACTIVE, NOT REACTIVE

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Cash is King

Businesses who were struggling before COVID-19 are particularly vulnerable.

- Low cash reserves
- Unstable cash flow

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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

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Act Now – Determining Cash

Cash Balance ÷ Cash Outflows = Number of Cash Buffer Days

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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/

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Crunch the Numbers

IMMEDIATELY MOVE BEYOND FEAR

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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

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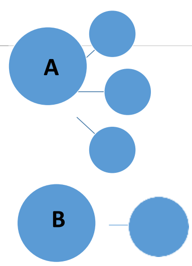
Do the Math

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



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Do the Math – Then Take Action

DO:	DON'T:
• Negotiate short-term relief from your lenders • Negotiate payment schedules with vendors and suppliers • Shift from a "profit & loss" mindset to a "cash" mindset • Conserve your cash	• Pretend this situation will go away • Avoid lenders and creditors; most are willing to work with you • Promise payments you can't deliver; be realistic and honest • Borrow money at high interest rates or from disreputable sources; avoid payday lenders or predatory financing terms; read the fine print

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Managing a Child Care Business with Reduced Enrollment

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Operating with Reduced Enrollment

SERVING ESSENTIAL WORKERS

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 access cleaning and sanitation supplies

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Operating with Reduced Enrollment

- 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.

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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.

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Managing a Temporary Closure of a Program

PLAN FOR THE WORST CASE SCENARIO

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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.

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Managing a Program Closure

Prioritize your expenses.

- Family child care providers should prioritize their facility costs (i.e. 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!

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Managing a Program Closure

Re-Opening Expenses
Cleaning facility/home after a COVID-19 exposure
Resupply 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.

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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

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Planning to Reopen

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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

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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

25% enrollment

50% enrollment

75% enrollment

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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 for more FREE resources.

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