

How Can I Get My Business Ready for a New Year?



DECAL
Thriving Child Care
Business Academy

Learn how to use year-end data to strengthen your business

Introduction

The end of the year is often a time when we reflect on the year which has passed. New Year's resolutions are commonly discussed in your personal life—but what about in your business affairs? A yearly closeout process can mean more than finalizing figures and syncing up with your tax preparer. The close of a fiscal year is a great time to reflect on the past, present, and future of your business. Whether you are an operation of one or five hundred, you can use this time to properly close out your financial affairs from the past year and plan for the year ahead.

You are the most knowledgeable person about your business, and while your experiences are still fresh, you can use both the financial data as well as your lived experience to prepare for the next year. Assessing the state of your operations from the past year can help you to develop a strategy for how you will approach the short-term and mid-term future of your business. Given the economic uncertainty presented by the continued effects of the COVID-19 pandemic, informed preparation for next year is important now more than ever. While this might sound like a big task at first, going through the process one step at a time will help you to feel more confident as you make business decisions for the next year.

Take some time to go through your past year to gather any information or lessons learned that can help you to strengthen your child care business in the future. This resource will help you take a look at your year-end assessment in terms of what happened last year, what you can do now, and what you will want to do in the coming year to be as strong and successful as possible.

Looking back

How did you do financially this year? You might have a sense of how you think you did but taking a look at the hard numbers will help to ground your thoughts and feelings in facts.

If you did have a budget set up for the year, compare your predicted and actual revenue and expenses. Line by line, assess how your predictions for the year compared to actual performance.

If you didn't maintain a budget this past year, you can examine your [cash flow](#) throughout the year. Look at your bank account statements to see if you ended up ahead of where you started and if you did, by how much. Consider if a [budget](#) would have been helpful, and if creating one now would be useful this time next year.

Set aside some quiet time for yourself to look at your records and ponder the questions below. We recommend recording this reflection and brainstorming session.

Jot down notes on paper or use a device to record yourself verbally processing your thoughts. It doesn't matter whether the format is text, audio, or video or whether you save it to your PC, tablet, or cell phone—just recording this information now can make a big difference for your operations year-round. Not only does this help you to streamline and organize your thoughts, but it also provides a tangible record that you can look back on in the future.

- Were you profitable?
- Were there differences between Actual and Planned figures (or, if you didn't have a budget, how much you wanted to or thought you would spend and how much you spent)? If so, do you have a sense of how those differences impacted business operations last year?
- What are the implications for the differences in Planned versus Actual revenue and expenses for this coming year? Are there any long-term implications?
- How does your knowledge of last year's finances impact how you will consider adjusting planned amounts for this coming year? If your revenue came in lower than planned, what figure must you aim to earn next year so that your business can be profitable?
- If overspending occurred, what happened? Could any overspending have been avoided by planning or spacing out expenditures? What can you learn from this reflection to apply to how you plan and execute your finances next year?
- Are there any expenses that you would benefit from reducing for next year? Would such reductions help you to stay within the limits of actual earned income?
- Are there any other external changes that you know are coming that you need to account for as you look at next year's planning? Examples could include purposeful change in enrollment, loss or gain of external income due to changes in state funding or other sources or change in schedule or programming that could bring in more or less income.

Now, take a step back from the details and conclude this exercise by giving yourself a concise, big-picture summary to look back on in years to come.

- Financially, this went well for my business last year:
- Financially, this did not go well for my business last year:
- As I engaged in this exercise, I was most surprised by:
- Financially, if my business ran exactly as I wanted it to, my numbers would be different in this way:
- I want to take these steps to make my numbers more closely reflect where I want my business to be:

Congratulations—you not only have performed a year-end review, but you have laid the foundation for a short-term and mid-term strategy for your business. Before we take tangible steps on those ideas, however, let's focus on the present and make sure we wrap up the prior year properly.

Right Now

There are some easy steps you can take to ensure your child care business is on stable footing as it starts its new fiscal year.

1. **Back up your computer files.**

If your devices were to stop working tomorrow, would you have other, up-to-date copies of all your files? This is imperative. There are different ways that you can back up your files.

Backing up your files onto a cloud storage drive is the most common and efficient option. Cloud drives use the internet to store your documents on remote servers. Cloud drives vary in security, pricing, and storage capabilities. The most used, reliable, free cloud drives with the greatest amount of free storage include Google Drive; Microsoft OneDrive; Apple iCloud; and Amazon Drive.

If you are less comfortable with technology, external hard drives are an alternative to nontangible, web-based storage. External hard drives are handheld devices that connect to your computer using a USB port. You can manually copy all your business files from your PC to your external hard drive. We recommend storing the external hard drive in a safe place, ideally in a fireproof safe. For your backup files to remain up to date, you will need to continue to add copies of your files to the external hard drive on a regular basis. This presents a disadvantage compared to cloud storage drives, which you can set to automatically back up your documents.

When deciding between cloud storage drives and external hard drives, consider how many documents you want to store. Cloud drives begin charging a monthly fee when a certain amount of storage is reached. This monthly fee is usually only a few dollars a month, but it can add up over the years to outprice the cost of an external hard drive. If you are storing basic Word documents from the past several years, you are most likely well within the limits of no-cost cloud-based

storage options. However, if you take hundreds of pictures each year and store them for marketing purposes, you might want to pause and weigh the costs and benefits of your document backup method. Note that if you are storing content for your business that this qualifies as a business expense.

2. **Make sure your financial documents are in order.**

As you back up your files, make sure you have all the documents you (or your tax preparer) will need to file this year's taxes. Now is the time to identify them if you have not already so that you are ready to file.

If you hire staff who file taxes as 1099 contractors, you will need to review the services they provided throughout the year and how much you paid them so that you can prepare the paperwork they need to file their taxes. Ensure you also verify the individual's full legal name, current address, and taxpayer identification number (TIN). The individual's TIN usually is their Social Security Number unless the [individual's tax residency status](#) is Non-Resident or Resident Alien.

3. **Prepare for Tax Season.**

Are you wondering how to prepare for tax season? Businesses must fill out a Form 1099, usually a 1099-NEC, for independent contractors for whom they paid more than \$600 over the course of the calendar year. If you paid an independent contractor less than \$600 within the calendar year, you do not need to provide them with Form 1099.

You must fill out two copies of Form 1099 for your 1099 contracted staff. The IRS designates a 1099 Copy A and a 1099 Copy B. Copy A and Copy B require the same information; Copy A is sent to the IRS and Copy B is sent to the contracted employee.

If you operate your child care business out of your home, ensure you [calculate which percentage of your home is used for business](#) so that you can claim your maximum allowed deduction using your time-space percentage.

Moving Forward: Finances, Enrollment, & Staffing

Finances

Your child care program's income is strong when your per-child rate covers your costs, all fees are collected, and your enrollment is maximized. This is referred to as the "[Iron Triangle](#)" in managing finances for early childhood education programs (Morgan & Emanuel, 2009; Stoney, 2019).

Understanding these parts of the Iron Triangle is more pressing now than ever given the complicating factors of staffing shortages which impact the ability to maximize enrollment, volatility in expenses that can make it difficult to understand your costs to

set your per-child rate, and providers lost revenue due to unpredictable and occasional temporary closures.

Providers today must take more steps than in the past to strengthen their financial business model. The easy activities described below can help you to incorporate the fundamentals of the Iron Triangle and meet today's challenges. These tools provide tried-and-true steps to analyze your revenue and expenses and balance your budget.

Additionally, consider the recommended activities to mitigate the impact of conditions related to the COVID-19 pandemic on your business, such as staffing and enrollment. As you engage in these activities, keep in mind your reflections on your budget activities from this past year.

Budgeting: If you did not have a budget last year, or if you were not involved in your business's budgeting process, your first step should be to create or learn about your business's [monthly budget](#). The continued reverberations of the COVID-19 pandemic have wreaked havoc on our economy's stability. It is important now more than ever to become aware of any inconsistencies or changes in your revenue and expenses so that you can proactively adapt.

Cash flow forecast: Next, you can develop a [cash flow forecast](#) to help you understand and project how much money your business will take in and expend on a monthly basis. A cash flow exercise helps you to plan for potential, temporary shortages of cash on hand.

After you have built the base case of your cash flow forecast, you can continue with the exercise by developing best-case and worst-case scenarios. Consider how you might want to allocate excess revenue if the financial best case plays out over the next year. Alternatively, you should also plan for how you will handle revenue declines and/or expense increases should those occur.

Contingency plan: As you draft your budget and cash flow projection for the new year, we recommend building a safety net into your budget. You should build or maintain an emergency fund for instances where cash flow is negative at a month's end. If you don't have an emergency fund built yet, you could establish access to a business line of credit.

Get involved: If you haven't yet been involved with the budgeting process for your business, consider integrating yourself into your operation's financial planning. Early childhood organizational experts Talan and Bloom (2011) recommend that business administrators become involved in revenue and expense reporting even if you hire a bookkeeper or other financial professional to take care of the work. This not only builds accountability into your business practices but also gives you the tools you need to

leverage your operation's financial performance to continue to connect finances to business planning throughout the year.

If you don't have a copy of your business's budget, consider reaching out to your bookkeeper and having a conversation about the budget. Keep a copy of your annual budget on file. Even if your bookkeeper updates the books without your input and you do not want to or don't have the time to be involved, request copies of monthly financial statements moving forward.

Increasing revenue: With enrollment most likely comprising the bulk of your revenue, take a hard look at your enrollment levels over the course of the last year. Consider where you would like to see your enrollment levels next year so that you can generate the revenue you want. If you would like to increase enrollment, marketing and staffing will be key components of your business strategy.

Enrollment

Enrolling more children directly connects with your ability to improve the long-term sustainability of your business. The stronger your enrollment now, the greater likelihood that you will be able to provide a higher quality of care to more children over time.

When you first consider boosting enrollment, you might feel overwhelmed. After all, you might think that you cannot control how many families want to and are able to enroll their children in your care... right?

Not exactly. There are tangible actions that you can take to market your business and generate more interest in enrollment.

Ask your staff, if you have them, and current families to refer families. New families are most likely to trust the opinions of other families and friends. Consider offering a small gift or public kudos for families who successfully refer your business and families who enroll because of a referral.

Develop or expand upon your social media and web presence. Families use the web and social media as a key resource. Use these spots to emphasize what makes your operation unique and why families should send their children to be in your care. Make sure your business shows up in results for where community members might search for child care centers, such as Google or Yelp. Leverage the power of apps like Nextdoor and town/local Facebook groups to share that you have openings.

Connect with other providers, especially those who might be retiring or going out of business. Networking with other child care providers can benefit the whole community, including your clients and your operation. Knowing what other providers are doing makes you aware of what marketing strategies seem to be working (and what doesn't seem to be working) in your community. Also, understanding what other providers are offering helps you understand what makes your offerings unique.

Prospective clients will appreciate it if you know your operation is not a good fit for a certain family, but you can recommend another which is. In the same token, other providers you connect with can refer families to you.

These are just a few of the many strategies to boost your enrollment.

Staffing

Recently, staffing has presented a major challenge for child care businesses nationwide. [Attracting and retaining staff](#) is a topic worth considering during this reflection and brainstorming exercise.

Do you have the staff to accommodate your target enrollment? Although staffing has been difficult, you have access to techniques to attract high-quality applicants. If you have concerns about retaining staff in the new year, you might want to consider adding [benefits](#) to employment packages or offering temporary pay increases to bolster your competitiveness in the local market.

Also, there are no-cost ways to make your business a more attractive place for people to want to work. You can take steps to evaluate and improve your workplace culture.

In a recent [Boston Consulting Group and The Network survey](#), 200,000 people from 186 countries were asked what factors made them most happy at work. The top-ranking factors, in order, are receiving appreciation for a job well done; having good relationships with colleagues; having a good work-life balance; and having good relationships with their superiors. Salary ranks 8th on the list. The takeaway? As a business owner, you have the power to create competitive job opportunities in your community. To harness that power, you simply need to focus on developing and communicating your business's work culture.

It is not news that we have all experienced stress more acutely because of the challenges and changes brought about by the pandemic. Reducing stress for yourself and your employees can be incredibly beneficial for both personal and professional well-being. If staff feel supported to value their time away from work and to take the personal time they need, they will be more likely to deliver high-quality work while on the job, to feel more committed to their work, and to regard their job more highly.

[Research](#) shows that people's stress levels decrease when their gratitude levels increase. You can develop a culture in which you notice your staff for a job well done and encourage your staff to congratulate and thank one another. This alone can boost your employees' satisfaction with their time on the job.

We are still navigating the aftermath of the first worldwide pandemic to occur in 100 years. In the face of seemingly insurmountable challenges, you continue to provide an invaluable service to children and families.

We have heard you as you have shared your stories illustrating your stress and sacrifice, as well as those which demonstrated your perseverance, growth mindset, and motivation to continue to support and serve the community.

What lies ahead for the year is unknown; however, you do not need to be uncertain when it comes to your business planning. You have the tools at your fingertips to navigate ambiguous circumstances and to come out of this uncertain time with exponentially more business savvy than when you entered it.

Additional Resources

If you have questions or need help, assistance is available.

[GaPDS Website](#)

[DECAL Thriving Child Care Business Academy Website](#)

To Find Other Study Guides: Click on [Resources](#) on the Academy home page

To Find Training: Click on [Trainings](#) on the Academy home page

To Register for Training: Click on [Schedules & Registration](#) on the Academy home page

To Sign Up for Study Groups: Fill out the [Intake Assessment](#)

For questions about coaching or study groups: Email GAcoaching@civstrat.com

To Find Other ECE Resources: Visit the [DECAL Website](#)

For General Questions about the Academy: Email thriving@dec.al.ga.gov

For More Information:

[Family Child Care Learning Home Rules and Regulations](#)

[Child Care Learning Center Rules and Regulations](#)

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