

Montana Child Care Business Connect

What are the Four Ways to Increase Profit?

Thursday, January 26, 2023

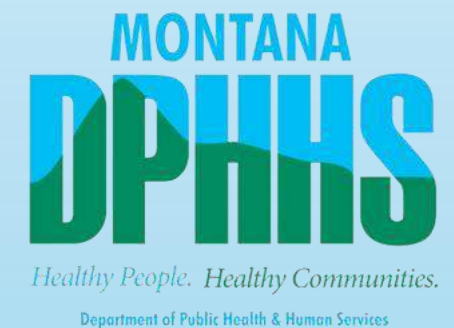
Part 3 of 7 in the Tiny Training Series

MONTANA CHILD CARE BUSINESS
CONNECT

Small Business Support. Big Community Impact.



ZEROTOFIVE
MONTANA



What is: The 'Tiny Training Series'

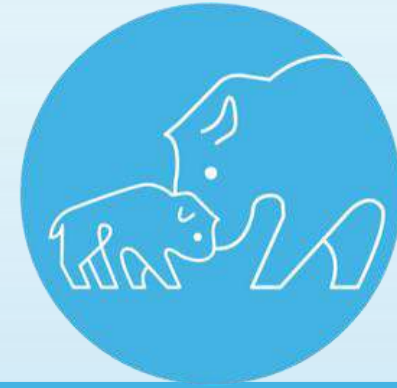
Statement of Purpose

- Series of seven, 30-minute webinars
- The 2nd and 4th Thursdays every month at 1:30pm (naptime)
- Attendance of four equals 2 hours of ECP credits
- Define basic business concepts
- Feature Business Connect Partners
- Prepare participants for 'How-to' Series in Spring/Summer 2023

2023 Schedule

- ~~January 5: What is Business Connect?~~
- ~~January 12: What is a Business Plan?~~
- January 26: What are the 4 Ways to Increase Profit?
- February 9: What is a Cooperative?
- February 15: Precision Pricing for Centers (2 hrs)
- February 23: What is Cost-Informed Rate Setting?
- February 27: Precision Pricing for Family (2hrs)
- March 9: What are Different Types of Marketing?
- March 23: What is Risk Management?

What is:



ZEROTOFIVE
MONTANA

Founded in:

2018

Our Promise is:

To stabilize, innovate, and build the early childhood system in Montana so families and communities can thrive.

Expansion in:

2022; with unprecedented investment in the childcare industry through MT DPHHS with ARPA funds.

MONTANA CHILD CARE BUSINESS

What is: **CONNECT**



Launched in:

2022

Focusing on:

Supporting communities and entrepreneurs with business elements of starting, owning and operating child care programs. We are Montana statewide hub for childcare business development and innovation

Critical Areas:

Training, Technical Assistance, Mentorship, Community Capacity Building, Web-Resource Hub

Staffed by:

Rhonda Schwenke, Jason Nitschke, Heide Borgonovo, Alex DuBois, Community Navigator, Program Assistant

Jason Nitschke; MA, EDFP

Senior Child Care Business Advisor



*"Helping entrepreneurs turn
visions into reality"*

Education

- 2002 – M.A. Communications – Hawaii Pacific University
- 1997 – B.A. Journalism/Political Science – University of Montana

Economic Development & Entrepreneurship

- 2019-2022 – Vice President – Great Falls Development Authority
- 2014-2022 – Regional Director – Great Falls area Small Business Development Center (SBDC)
- 2011-2012 -- Carondelet Estate Services, LLC; St. Louis, MO
- 2000-2002 -- JNitschke Photography; Denver, CO

Certifications

- 2021 – Certified PeerSpectives Facilitator – Edward Lowe Foundation
- 2017 – Certified Export Counselor – U.S. Small Business Administration
- 2017 – Certified Profit Mastery Facilitator – Business Resource Services
- 2015 -- Economic Development Finance Prof. (EDFP) – National Development Council
- 2015 -- Accredited Small Business Consultant (ASBC) – Association of Accredited Small Business Consultants
- 2015 -- Certified Business Advisor – GrowthWheel International

Recognitions

- 2022 – Boots to Business National Instructor of the Year – U.S. Small Business Administration
- 2018 – Montana SBDC State Star
- 2010 – Television News Enterprise Award – Montana Broadcasters Association
- 2009 – Television Sports Reporting Award – Society of Professional Journalists
- 2007 – Television Sports Enterprise Award – Montana Broadcasters Association

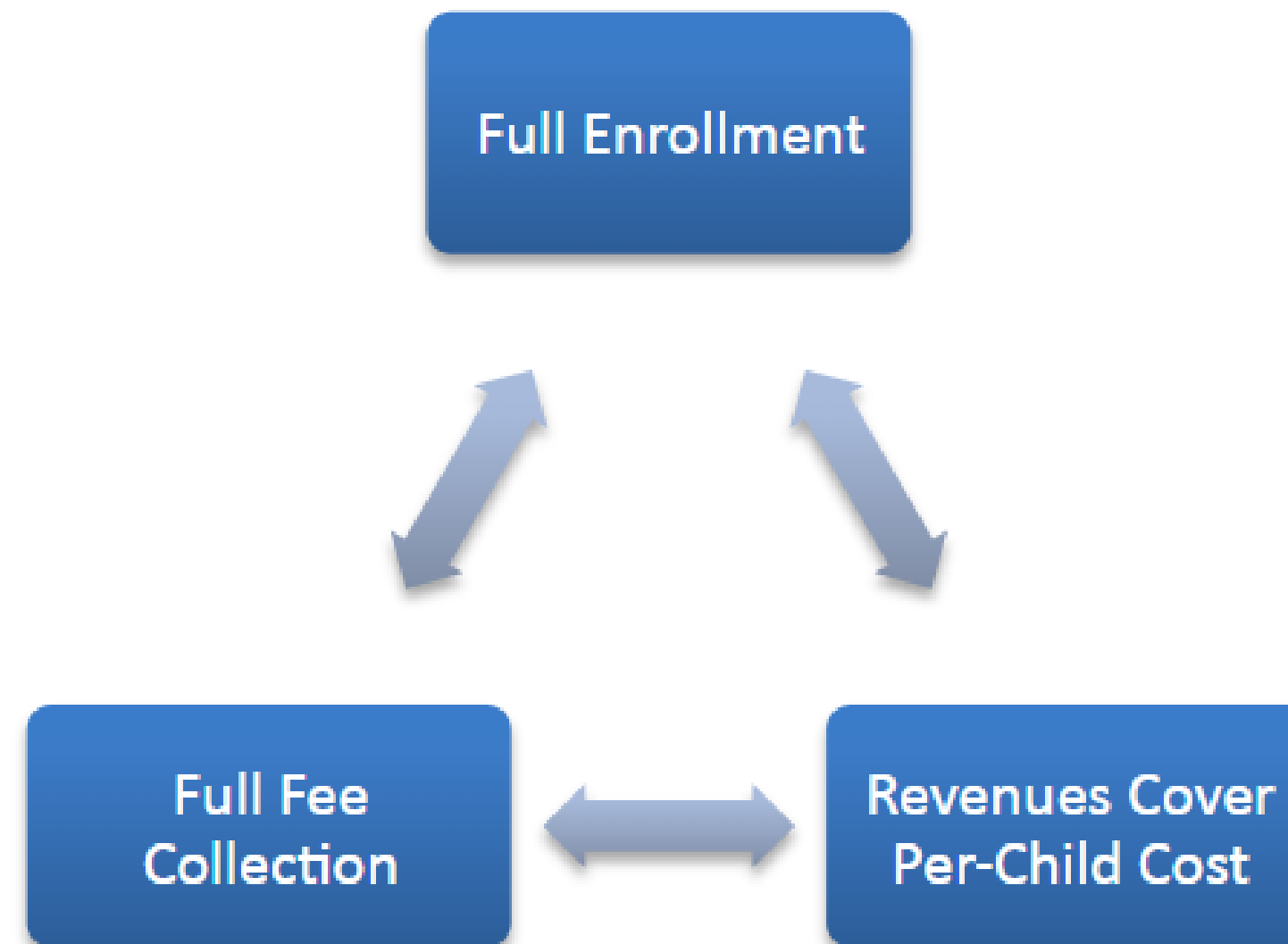
Goals for Today

- I. What are Financial Statements?
- II. Defining Types of Revenue
- III. Defining Types of Costs
- IV. Define How Costs Behave
- V. What are 4 Steps to Increase Profit?

But First...

The Iron Triangle

ECE IRON TRIANGLE





And Also This...

Learn the Language of Financial Literacy

Understand the Difference Between Profit and Cash

Use Tools to Make Better Financial and Business Decisions

Why is the Topic of Profit Important?

A business is:

The process of selling a product/service in effort to make a profit.

Entrepreneurs are:

The people who accept the risk of owning and operating a business.

If done well:

Entrepreneurship is a pathway to business success that could create generational wealth within a family.



Why is the Topic of Profit Important?

A business is:

The process of selling a product/service in effort to make a profit.

Entrepreneurs are:

The people who accept the risk of owning and operating a business.

If done well:

Entrepreneurship is a pathway to business success that could create generational wealth within a family.

Wealth can be:

A way to create stability in a family.

If you need it, use it. If you don't need it, pass it on.



I. Financial Statements

The Word "Profit" Show Up on Which Financial Statement?

- A. The Balance Sheet
- B. The Statement of Cash Flows
- C. The Income Statement
- D. The Bagel-land Statement
- E. Umm...What is a Financial Statement?

Sheridan Inc.
Income Statement
For the year ended December 31, 2015

Revenue	\$1,748,000	
Cost of goods sold	\$36,800	
Gross profit		\$1,784,800
Selling expenses	\$782,000	
Administrative expenses	\$276,000	
Other expenses	\$220,800	
Income from operations		\$1,278,800
Gain on sale of equipment	\$55,200	
Other revenues and gains	\$538,200	
Other expenses and losses	\$172,040	
Loss on written down inventory	\$36,160	
Income from continuing operations before income tax		\$69,000
Income Tax	\$23,460	
Income from continuing operations		\$45,540
Discontinued operations		\$320,620
Loss on discontinued operations		
Less: Applicable income tax reduction		
Net Income / (Loss)		\$3.21
Per share of common stock		
Income from continuing operations (\$366,160 / 100,000)		
Loss on discontinued operations, net of tax (\$45,540 / 100,000)		
Net Income / (Loss)		

TREEHOUSE
STATEMENT OF FINANCIAL POSITION
September 30, 2015
With Comparative Totals for 2014

	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,713,337	\$ 1,324,922
Investments	1,324,922	2,056,445
Current pledges receivable, net	2,056,445	193,357
Contracts receivable	193,357	252,784
Inventories	252,784	239,615
Unemployment trust deposits	239,615	86,007
Prepaid expenses	86,007	131,529
Total current assets	6,997,996	5,572,459
Long-Term Assets		
Long-term portion of receivables, less current portion	1,061,300	1,411,300
Pledges receivable, net	240,946	240,946
Contribution receivable for rent, net	468,397	5,572,459
Furniture and equipment, net	3,444,637	3,683,988
Endowment investments	401,134	423,160
Other investments	401,134	423,160
Total long-term assets	5,616,414	5,572,459
Total assets	\$ 12,614,410	\$ 11,475,064
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 48,975	\$ 37,053
Accrued salaries and related costs	418,486	348,719
Total current liabilities	467,461	385,772
Net Assets		
Unrestricted	5,255,411	4,549,404
Temporarily restricted	3,446,901	2,855,900
Permanently restricted	3,444,637	3,683,988
Total net assets	12,146,949	11,089,292
Total liabilities and net assets	\$ 12,614,410	\$ 11,475,064

I. Financial Statements

The Word "Profit" Show Up on Which Financial Statement?

~~A. The Balance Sheet~~

~~B. The Statement of Cash Flows~~

C. **The Income Statement**

~~D. The Bagel-land Statement~~

~~E. Umm...What is a Financial Statement?~~

Sheridan Inc.
Income Statement
For the year ended December 31, 2015

Revenue	\$1,748,000	
Expenses	\$36,800	
Income from operations	\$1,784,800	
Other revenues and gains	\$782,000	
Loss on sale of equipment	\$276,000	
Other expenses and losses	\$220,800	
Income from continuing operations before income tax	\$1,278,800	
Income Tax	\$506,000	
Income from continuing operations	\$55,200	
Discontinued operations	\$538,200	
Loss on discontinued operations	\$172,040	
Less: Applicable income tax reduction	\$69,000	\$45,540
Net Income / (Loss)	\$23,460	\$320,620
Per share of common stock		
Income from continuing operations (\$366,160 / 100,000)		\$3.66
Loss on discontinued operations, net of tax (\$45,540 / 100,000)		-\$0.46
Net Income / (Loss)		\$3.21

TREEHOUSE
STATEMENT OF FINANCIAL POSITION
September 30, 2015
With Comparative Totals for 2014

	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,713,337	\$ 1,324,922
Investments	1,324,922	2,056,445
Current pledges receivable, net	2,056,445	193,357
Contribution receivable for rent	193,357	252,784
Inventories	252,784	239,615
Unemployment trust deposits	239,615	86,007
Prepaid expenses	86,007	131,529
Total current assets	6,997,996	5,572,459
Long-Term Assets		
Long-term portion of receivables, less current portion	1,061,300	1,411,300
Contribution receivable, net	240,946	240,946
Furniture and equipment, net	468,397	468,397
Endowment investments	3,444,637	3,444,637
Other investments	401,134	401,134
Total long-term assets	5,616,414	5,572,414
Total assets	\$ 12,614,410	\$ 11,475,064
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 48,975	\$ 37,053
Accrued salaries and related costs	418,486	348,719
Total current liabilities	467,461	385,772
Net Assets		
Unrestricted	5,255,411	4,549,404
Temporarily restricted	3,446,901	2,855,900
Permanently restricted	3,444,637	3,683,988
Total net assets	12,146,949	11,089,292
Total liabilities and net assets	\$ 12,614,410	\$ 11,475,064

I. What are Financial Statements

“Financial statements are written records that convey the business activities and the financial performance of an entity.”

- Income statement: $\text{Revenues} - \text{Expenses} = \text{Profit}$
- Balance sheet: $\text{Assets} = \text{Liabilities} + \text{Net Worth}$
- Cash flow statement: $\text{All money in} - \text{All money out}$

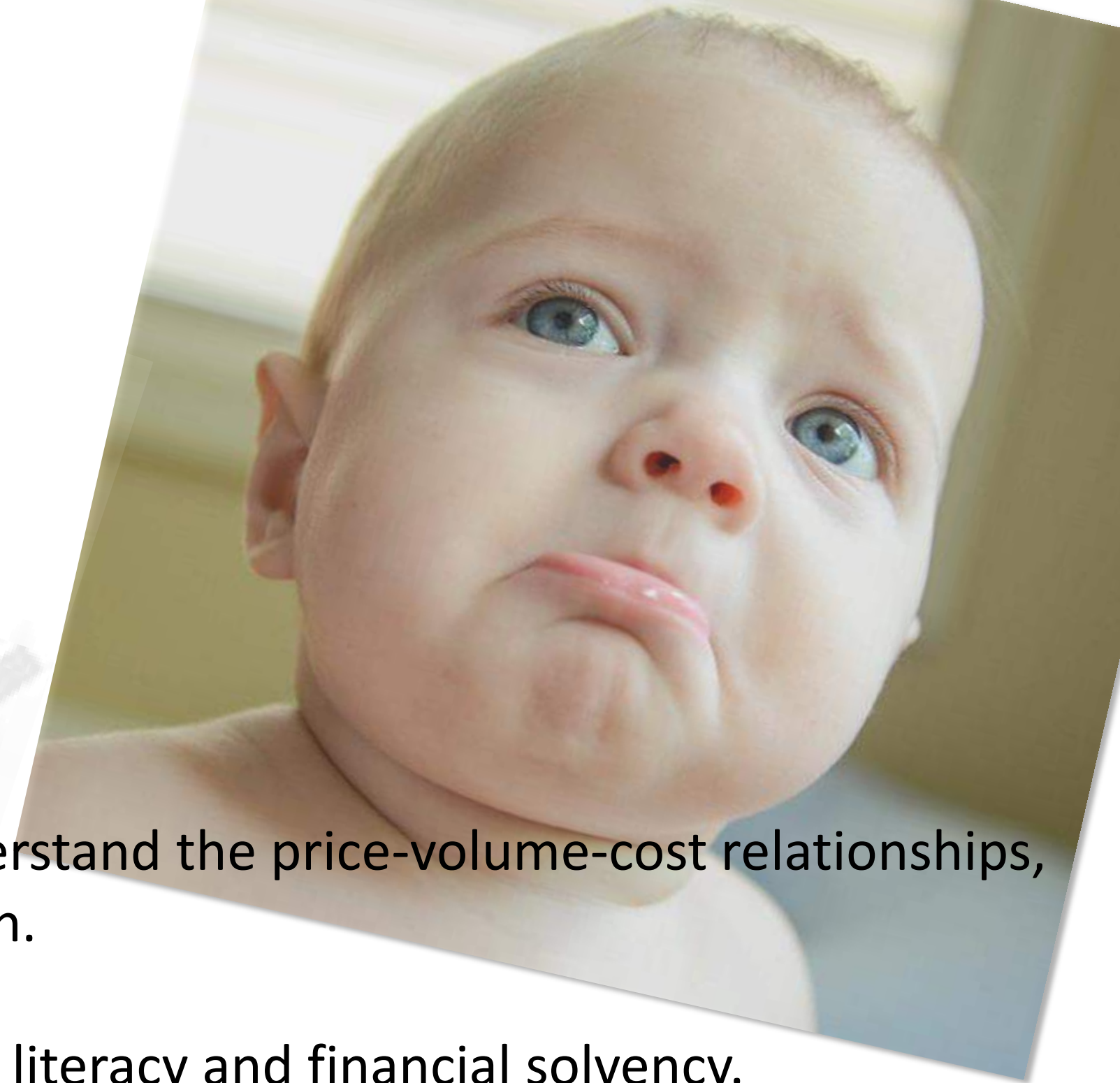
I. The Funny Thing About Financial Statements

*If you have a bad income statement, you've had a bad year.

**If you have a bad balance sheet, have a bad business.

The goal: plan properly, monitor your financial position, understand the price-volume-cost relationships, and manage growth.

These documents provide a pathway to financial literacy and financial solvency.



II. Defining Types of Revenue

Income statements track two basic types:

- **Operating Revenue:** Money earned from the sales of products or services.
 - EX: Sales, rents, other services
- **Non-Operating Revenue:** Money earned from non-core business activities.
 - EX: Grants, interest, liquidation of assets

III. Defining Types of Costs

Income statements track two basic types:

- **Direct Costs:** Expenses directly related to providing a product or service.
 - EX: Cost of Goods Sold – Food; Classroom Materials
 - EX: Direct Labor - Classroom Staff Wages & Benefits
- **Operating Costs:** Expenses not directly related to providing a product or service but essential to operating the business.
 - EX: Sales, General, Administrative (SGA) – Insurance; Licensing; Marketing & Promotion; Professional Services; Software; Office & Operating Supplies; Car/Delivery/Travel; Rent & Utilities; Interest Payments

IV. Defining How Costs 'Behave'

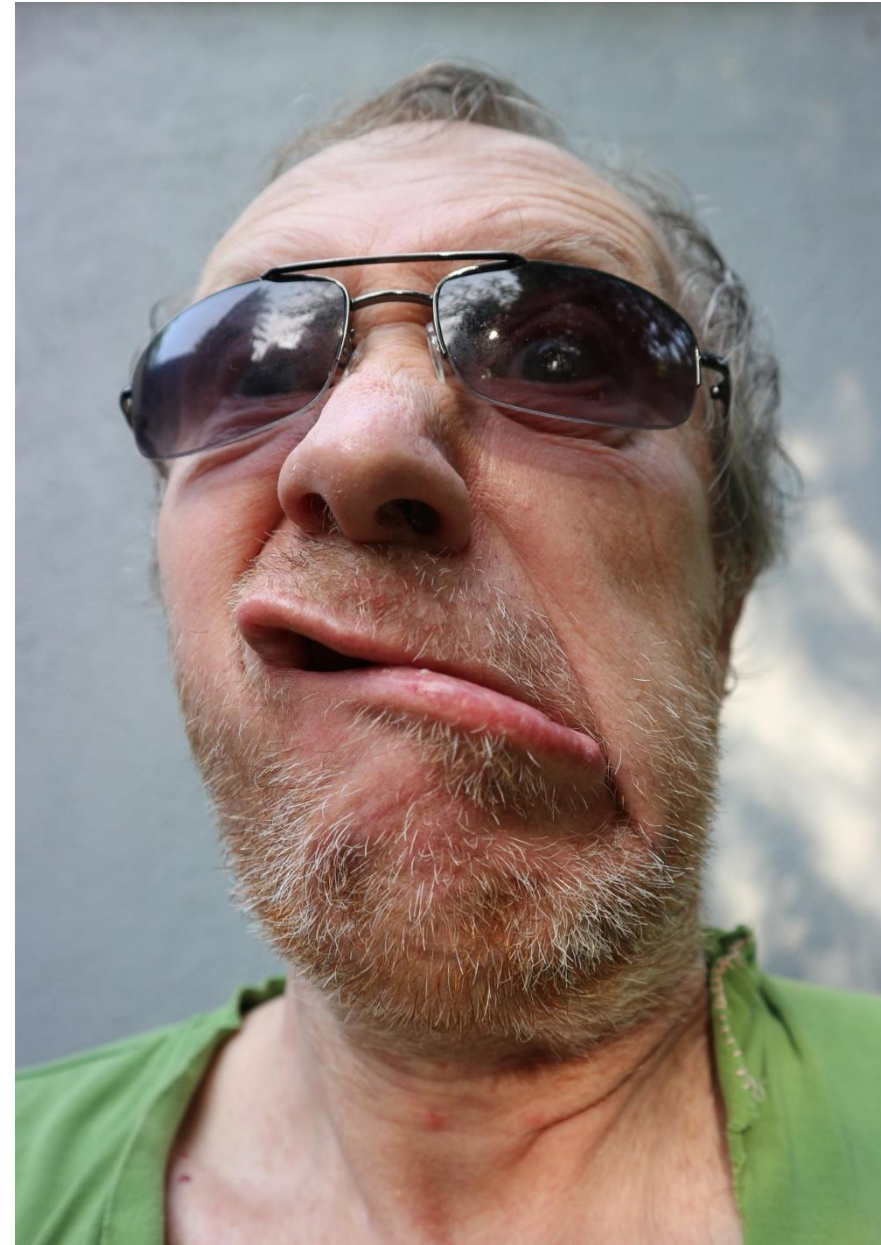
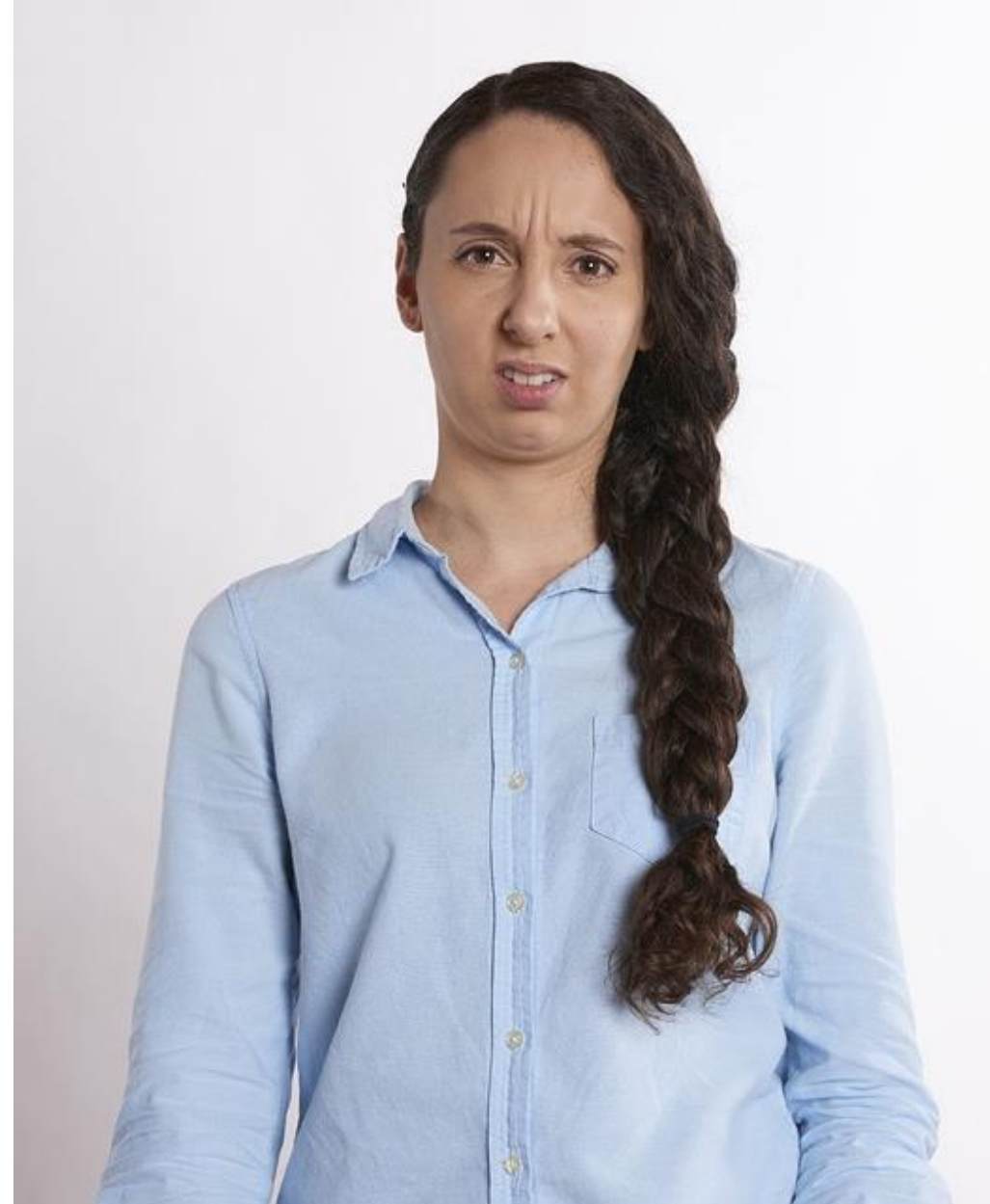
- **Variable Costs:** Expenses that rise and fall in direct relation to increases/decreases in Revenue.
 - EX: Cost of Goods Sold – Food; Classroom Materials
 - EX: Direct Labor - Classroom Staff Wages & Benefits
- **Fixed Costs:** Expenses that do not rise and fall with increases in Revenue.
 - EX: Sales, General, Administrative (SGA) – Insurance; Licensing; Marketing & Promotion; Professional Services; Software; Office & Operating Supplies; Car/Delivery/Travel; Rent & Utilities; Interest Payments

IV. Defining How Costs 'Behave'

Direct Costs = Variable Costs

Operating Costs = Fixed Costs

Jason...So What?!?!?



By understanding our financial statements, how diversified our revenue is (or isn't), and how costs interact with revenue, we can start to think critically about what to do.

V. Four Ways to Increase Profit

Revenue

1. Increase Price

EX: Rate Adjustments

EX: Collect Better

2. Increase Volume

EX: Increase Occupancy

EX: Diversify Revenue

Costs

3. Decrease Variable

EX: Wages & Benefits

EX: Food

4. Decrease Fixed

EX: Manage the Budget

EX: Buy Better

V. Four Ways to Increase Profit

Costs

3. Decrease Variable

Program Participation/Cost Offsets

EX: Child and Adult Food Program

EX: Head Start Collaboration

Analyzing Staffing Pattern

Outsource Indirect Labor

Manage Direct Labor

Costs

4. Decrease Fixed

Cost Offsets

EX: Incumbent Worker Training

EX: Work Opportunity Tax Credit

Buy vs. Rent (or vice versa)

Shop Around

Restructure Debt

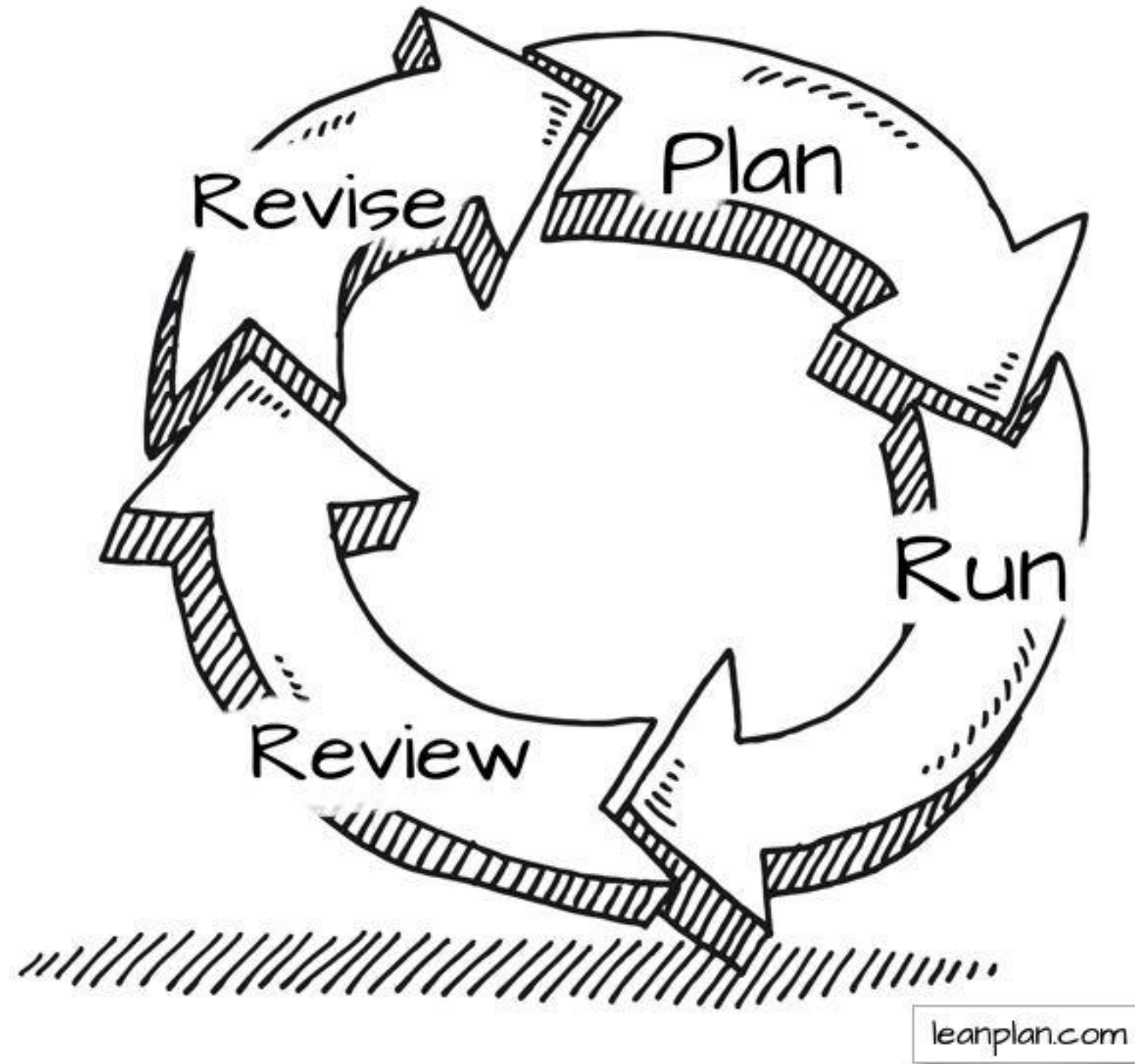
But Jason...Where Do I Start?!?!



Financial Analysis will indicate where the largest gains are possible.

Start where there is the most impact with small shifts.

Summary



What we've learned:

Finance is Fun

Finance is a Framework

Understanding the Framework informs

Better Decisions

Better Decisions Drive Better Actions

Summary



If done well:

Entrepreneurship is a pathway to

financial stability

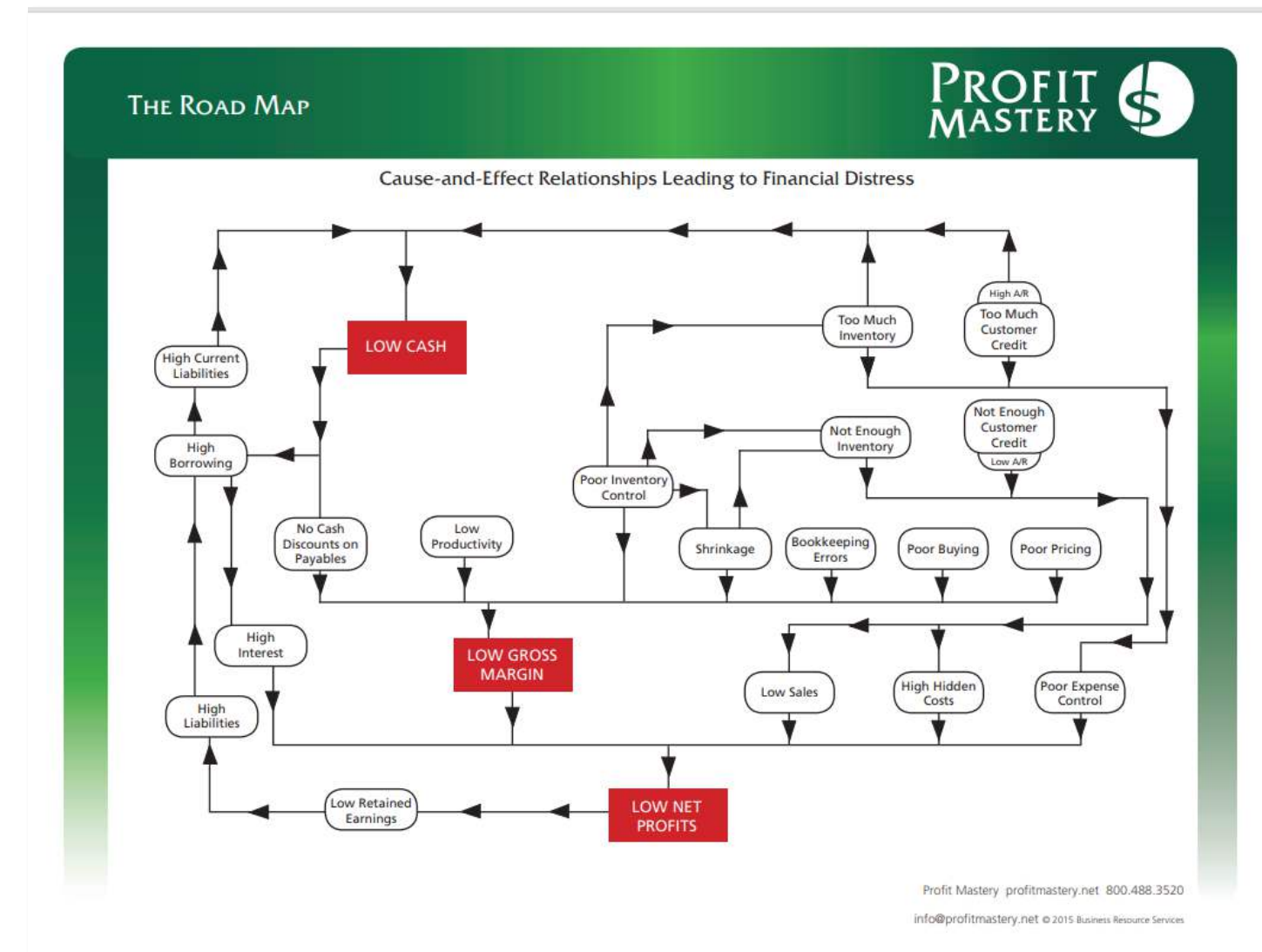
And creates the potential for

generational wealth

Where Can I Learn More?

Training: Profit Mastery

The screenshot shows the Montana SBDC website. At the top, it says "MONTANA.GOV OFFICIAL STATE WEBSITE" and "MONTANA DEPARTMENT OF COMMERCE". Below that, it says "SMALL BUSINESS DEVELOPMENT CENTER NETWORK". The main content area features a banner for "AMERICA'S SBDC ACCREDITED MEMBER MONTANA" and a section titled "PROFIT MASTERY UNIVERSITY: THE NEXT LEVEL OF FINANCIAL MANAGEMENT". The text describes a world-class online and live course designed to help users achieve greater profitability and efficiency. It offers a \$600 discount for Montana residents, making the price \$295. A "Register Now" button is visible. At the bottom, there is a small image of a laptop and a coffee cup.

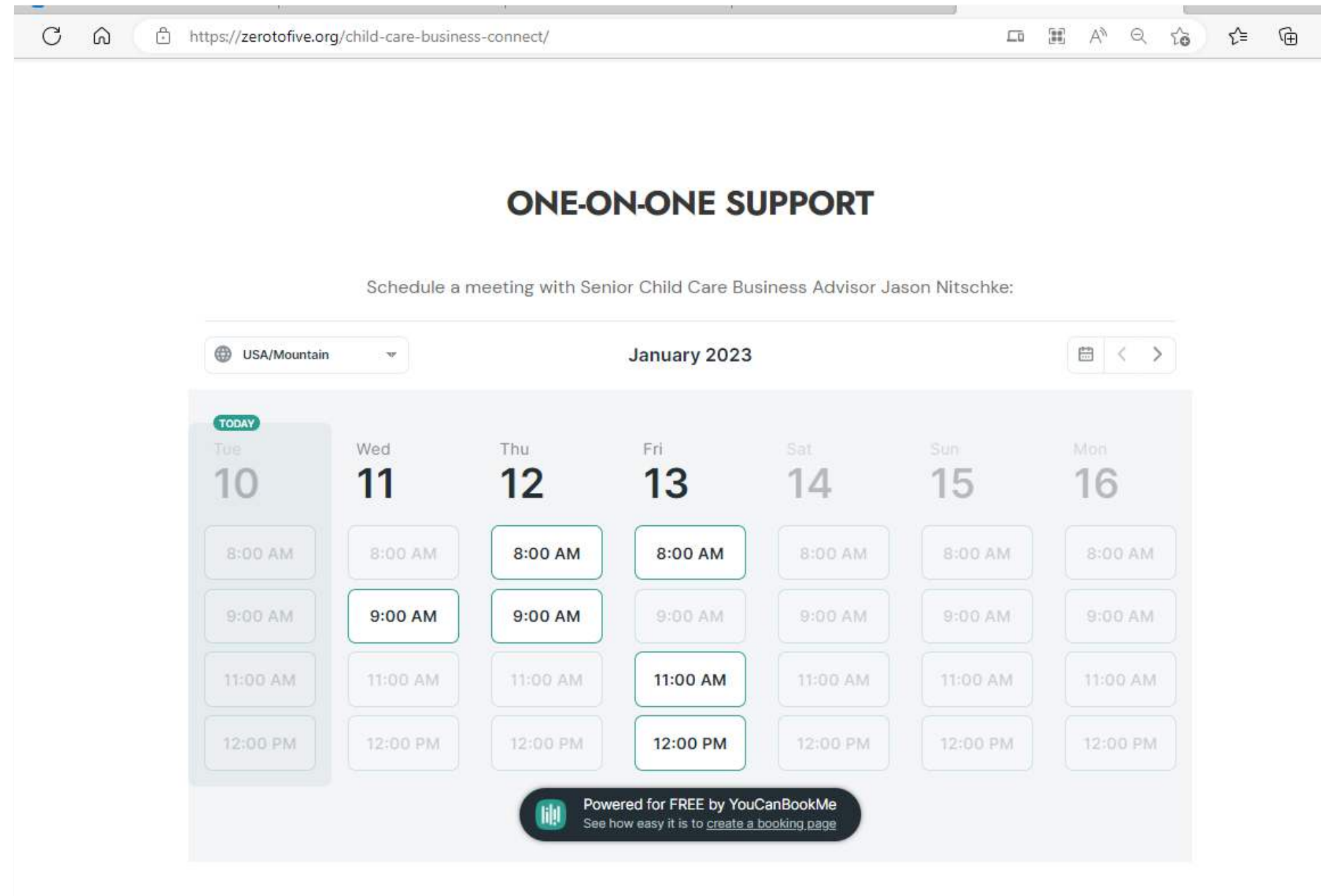


<https://sbdc.mt.gov/Services/Trainings-and-Workshops/Profit-Mastery>

<https://sbdc.mt.gov/Services/Trainings-and-Workshops/>

Where Can I Learn More?

Technical Assistance: One-on-One Consultation



<https://zerotofive.org/child-care-business-connect/>

Coming Up in the Tiny Training Series:

2/9/23: What is a Cooperative?

- Registration link:
- [https://www.mtecregistry.mtecp.org/v7/trainings/search/\(slider-new:517383/detail\)](https://www.mtecregistry.mtecp.org/v7/trainings/search/(slider-new:517383/detail))

2/23/23: What is Cost-Informed Rate Setting?

- Registration link:
- [https://www.mtecregistry.mtecp.org/v7/trainings/search/\(slider-new:517383/detail\)](https://www.mtecregistry.mtecp.org/v7/trainings/search/(slider-new:517383/detail))

3/9/23: What are the Types of Marketing?

- Registration link:
- [https://www.mtecregistry.mtecp.org/v7/trainings/search/\(slider-new:517383/detail\)](https://www.mtecregistry.mtecp.org/v7/trainings/search/(slider-new:517383/detail))

3/23/23: What is Risk Management?

- Registration link:
- [https://www.mtecregistry.mtecp.org/v7/trainings/search/\(slider-new:517383/detail\)](https://www.mtecregistry.mtecp.org/v7/trainings/search/(slider-new:517383/detail))

Past Recordings Available At:

On-Demand Webinars: <https://zerotofive.org/child-care-business-connect/>



Connect with Business Connect!

Website: <https://zerotofive.org/child-care-business-connect/>

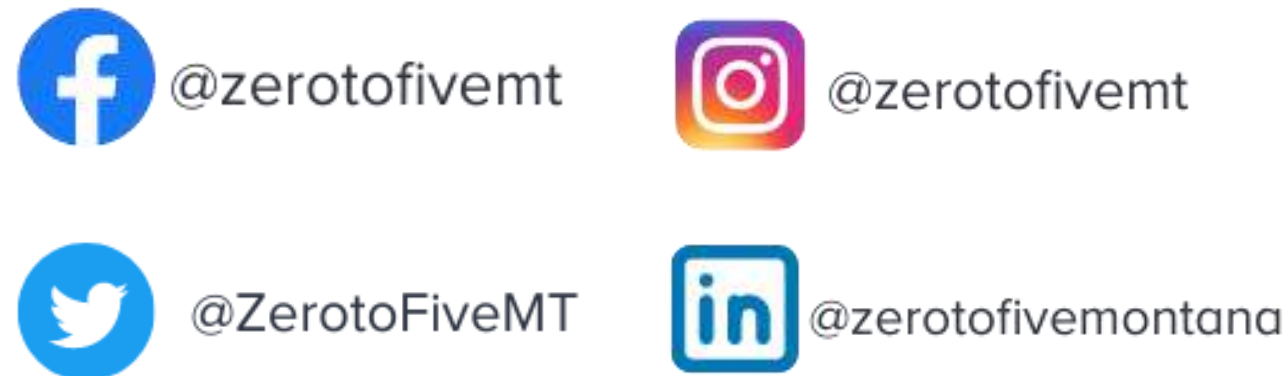
Email: JasonN@ZeroToFive.org

Formally Request Assistance: <https://mtsfdc.ecenterdirect.com/signup?centerid=21>

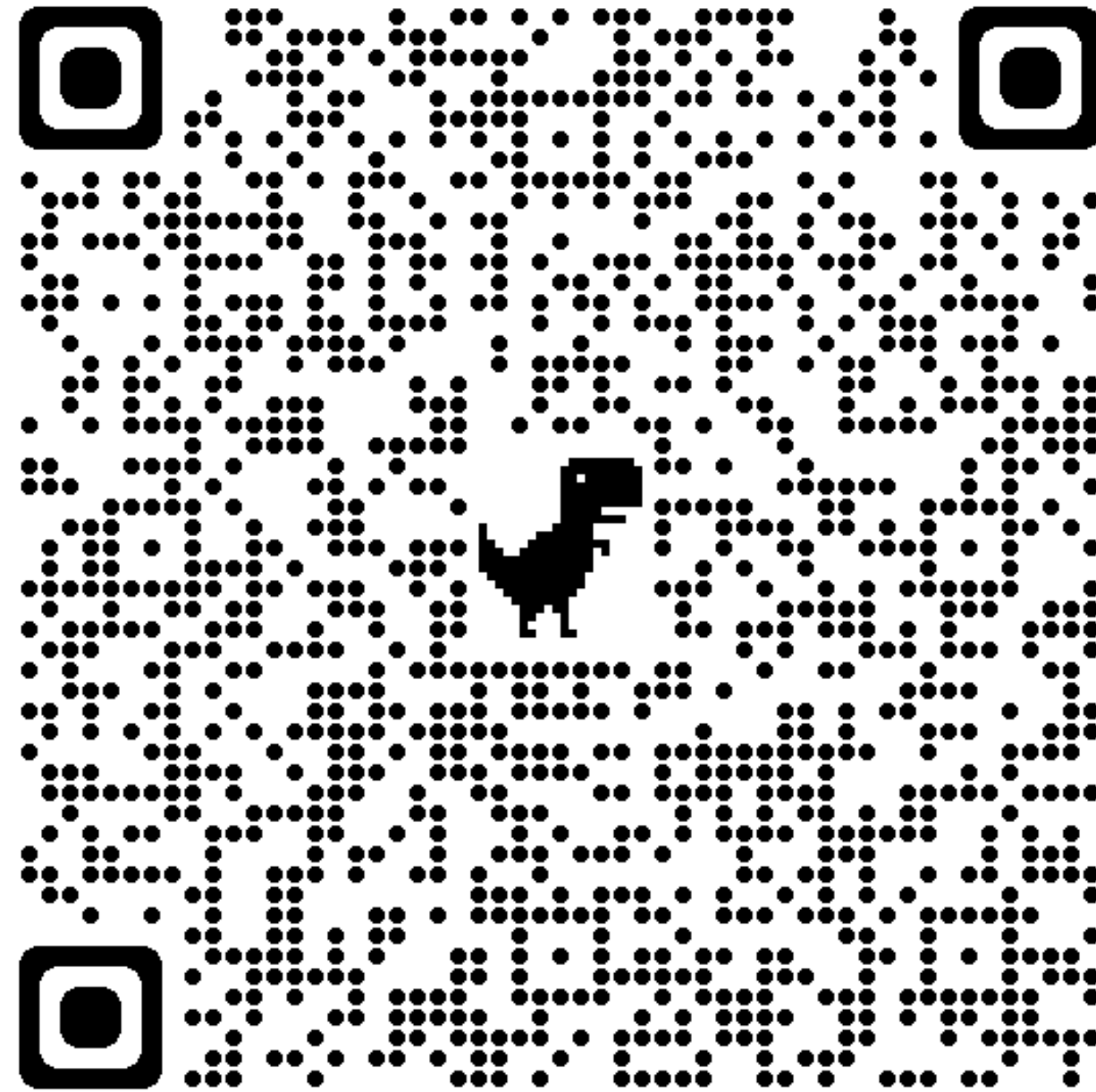
Schedule a Meeting: <https://jason-nit.youcanbook.me/>

Newsletter: <https://zerotofive.org/take-action/>

Social:



How'd We Do?



<https://www.surveymonkey.com/r/7DHCR56>