

HOW TO START A QUALITY CHILD CARE BUSINESS

Management and Planning Series

How to Start a Quality Child Care Business
replaces "Quality Child Care Makes Good Business Sense"

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INTRODUCTION

Owning and operating a child care business can be a very challenging and rewarding career. Success in this field requires dedication, love and patience. The work day is longer than a normal eight-hour day, but the satisfaction of watching children grow and develop will be worth the extra effort.

If you are interested in starting a child care business, this publication will help you plan, prepare and operate your business. It explains the step-by-step process of starting the business, from assessing the need for child care services to selecting the service, setting up your business and preparing for opening day. A sample business plan outline for child care businesses is included, in addition to a sample parent survey, a typical undergraduate curriculum in early childhood instruction, general resources and a list of related national organizations.

TYPES OF CHILD CARE PROGRAMS

According to the 1984 U.S. Census Bureau report, *Who's Minding the Kids?*, parents generally select one of three types of child care facilities: family care, home care or day-care center. There are, however, other child care programs available, including the following:

- ! *Family care* -- A program designed to provide care for toddlers in the homes of other mothers.
- ! *Home care* -- A nanny or sitter cares for and supervises a child in the child's home.
- ! *Day-care and child development centers* -- Programs designed to respond to the stages of physical, emotional, social and intellectual growth and behavior of infants and children.
- ! *Child care development home* -- A private residence for up to five children, with no more than two infants in the group.
- ! *Infant care center* -- A child development center that cares for infants and toddlers (children two years old or younger).
- ! *Before- and after-school care* -- A program providing care for school-age children before and after the regular school day in a child development center or home.
- ! *Satellite child development program* -- A private residence linked with a child development center or an agency that receives technical assistance and support, training, recruiting and placement.
- ! *Nursery school* -- Usually a part-time preschool child development center operating during the school year.

For more information on child care programs in your community, contact the local child care referral agency or local or state licensing departments.

ASSESSING THE NEED FOR CHILD CARE PROGRAMS

National Need

The demand for child care services steadily increases as more and more women enter the work force, giving up the traditional role of full-time mother and homemaker. To date, working mothers -- in both single- and two-parent households -- constitute the fastest growing segment of the paid work force. According to a 1984 U.S. Census Bureau report, the percentage of the work force made up of married working women with school-age children grew from 42 percent in 1970 to over 60 percent, while the percentage of mothers with preschool-age children increased from 32 percent to 52 percent in the same time period. Further substantiating this increasing need for child care services, the U.S. Congressional Budget Office reported that, by 1990, an additional 2.5 million children will require some form of child care. The Internal Revenue Service (IRS) reported that, in 1983, 6.4 million

families received a \$2.6 billion reduction in their federal income taxes from the Dependent Care Tax Credit.

Community Need

The easiest and most efficient way to determine the child care need in your community is to go directly to the source, that is, parents. The information they give you will be invaluable.

Perhaps the best way to gather information is to arrange an interview with several families (a focus group) or conduct a mail or telephone survey. You can find participants for your survey through local churches or community groups. A sample survey is included in Appendix B.

Census data for your community are another source for the following demographic information:

- ! Number of families in your community.
- ! Number of working families with children zero to six years old.
- ! Number of working families with children seven to fourteen years old.
- ! Number of recent marriages.
- ! Number of new housing starts.
- ! Geographic concentration of families with children.
- ! Income distribution of families.
- ! Number of small and large businesses.
- ! School census data.

You can obtain these data by contacting the

- ! Municipal center or city planning office.
- ! United Way planning office.
- ! U.S. Census Bureau.
- ! Information office of your local school system.

Use this information to predict future needs for child care services. For example, if the ages of a substantial number of children range from infancy to six years, you can expect an increased demand for school-age care in future years. If, however, you find that a substantial number of children range from twelve to fourteen years old, it may not make sense to open a child care center in your

immediate community. However, the data may indicate that nearby communities do need new or additional child care services.

Identifying Existing Services

To capture a niche in the market, you may have to offer services that your competitors aren't offering or services they've overlooked. For example, if several child care centers in your community provide care for children from ages three to five only, you may want to consider providing care for newborns, infants and one- and two-year-old toddlers. Or, in addition to your daily day-care services, you may want to provide after-school care for children ages six to twelve.

When assessing what child care services are already available in your community, ask the following questions:

- ! What type of care exists in the community?
- ! What age groups are being served -- infants, toddlers, preschool, school-age or combinations of the above?
- ! Are there age groups that need more care than others?
- ! What hours do the centers open and close?
- ! What types of services do they offer?
 - Day care?
 - Night care?
 - Evening care?
 - After-school care?
- ! How many centers are there?
- ! Where are the centers located?
- ! Is there a waiting list for child care services?
- ! Are more centers needed in the same area?
- ! What service can you provide that other centers aren't offering?

To obtain information on the child care programs in your community,

- ! Contact the licensing office at the local municipal center.

- ! Contact the local day-care and referral agency.
- ! Look through the Yellow Pages.
- ! Contact the planning office for United Way or your local government.

Whatever service you provide, make sure it responds to the community's needs, is based on the children's interests and promotes their intellectual, social, emotional and physical development. Remember, review all the options before deciding on the service(s) you plan to provide.

IDENTIFYING YOUR REASONS FOR GOING INTO BUSINESS

Planning and operating a child care center will consume much of your time and energy. So it is important that you assess your motivations, personality, skills and experience and ability to manage time to determine if you are the right person for the job.

Motivations

As a first and often overlooked step, ask yourself why you want to go into business. Check the reasons that apply to you.

- | | YES |
|---|-------|
| 1. You desire freedom from the 9-5 daily routine. | _____ |
| 2. You want to be your own boss. | _____ |
| 3. You want to improve your standard of living. | _____ |
| 4. You are bored with your present job. | _____ |
| 5. You can't find a job you like. | _____ |
| 6. There is a demand for your service. | _____ |
| 7. Owning your own business would be the culmination of your hopes and plans. | _____ |
| 8. Owning your own business is something you've always wanted to do. | _____ |

Some reasons are better than others; however, none are wrong. Just remember, there are tradeoffs. For example, you can escape the 9-5 routine, but you may replace it with a 6:00 AM to 8:00 PM routine or a schedule with little, if any, free time.

Personality -- Self-assessment Questionnaire

There are certain personal characteristics you will need to go into business. This self-assessment questionnaire will help you identify your strengths and weaknesses; it will either eliminate or justify any doubts you may have about becoming a child care provider. Try to be objective your future depends on the decision you make. Circle your choice in each statement.

1. My health is excellent/good/poor.
2. I am/am not a leader.
3. As a problem solver, I am good/average/poor.
4. I do/do not get along well with others.
5. I take directions very well/well/reluctantly.
6. I take the initiative always/usually/sometimes/ seldom/never.
7. I work better alone/under supervision/with a group.
8. My ability to handle emergencies is excellent/good/average/poor.
9. My financial assets are limited/fair/sufficient for a year.
10. My organizational and record-keeping skills are above average/average/marginal/below average.
11. My business experience has been limited to selling/managerial/primarily bookkeeping and secretarial/varied and long.
12. I am/am not generally warm and affectionate.
13. I enjoy working with children all of the time/most of time/occasionally/never.
14. I am/am not able to guide and discipline children kindly and effectively.
15. I do/do not accept children as they are and feel a deep commitment to them and to their parents.

If you are in excellent physical health, are a good problem solver, usually take the initiative, are a risk taker and feel confident in making decisions, then you probably will be comfortable managing a business. If you have sufficient cash to operate through the critical first year (or feel confident you can raise the money), are willing to work long hours at relatively low pay and believe you possess the necessary skills, you have a chance to succeed.

Skills and Experience

It is unlikely that you possess all the skills and experience to succeed in a child care business. You can hire people to provide the skills you lack. But there are some basic skills you'll need. The following questions will help you identify the skills you do possess.

	YES	NO
1. Do you know what basic skills you'll need to operate a successful child care program?	_____	_____
2. Do you possess these skills?	_____	_____
3. Do you have any business experience?	_____	_____
4. Have you ever worked as a director or manager?	_____	_____
5. Have you reared children of your own?	_____	_____
6. Do you have any child care experience?	_____	_____
7. Is responsibility new to you?	_____	_____
8. Are you willing to work long hours if necessary?	_____	_____
9. Are immediate profits or covering costs important to you?	_____	_____
10. When hiring personnel, will you be able to determine if the applicant's skills meet the requirements for the position you are filling?	_____	_____

Time Management

Since operating a child care center will consume much of your time, you may discover that you don't have enough time to perform your usual daily tasks. Even in an office setting, it is very difficult for some people to make and keep work schedules. As your own boss, the problem can be much greater. To determine the amount of time you will need to devote to your business, draft a weekly timetable listing all current and potential responsibilities and the time required for each.

PREPARING FOR BUSINESS

Preparing for opening your business is a critical step. Appendix A provides an outline for forming your business plan. In addition, the following sections describe certain aspects of your preparation in detail.

Name and Legal Structure

Choosing a name and legal structure for your center is important, especially if you plan to borrow

money to start your business. Many entrepreneurs don't consider these points until the questions appear on the loan or licensing applications.

Select a name that's catchy and easy to remember. Consider your family's and friends' ideas as well as your own.

Think carefully before deciding on the legal structure for your center. Most child care centers are operated by sole proprietors. However, you may find that incorporating or forming a partnership offers more advantages. Consider the following points when choosing the legal structure for your center:

- ! *Sole proprietorship* -- The owner is the business. You must file business and personal tax returns at the same time.
 - *Advantages* -- Simple and inexpensive.
 - *Disadvantages* -- Personal legal liability.

- ! *Incorporation* -- A likely choice for businesses with employees or bank financing. Attorney's and other fees range from \$500 to \$1,000.
 - *Advantages* -- Credibility and personal assets are protected if the business fails or is sued.
 - *Disadvantages* -- Taxes are potentially higher than for a sole proprietorship.

- ! *Partnership* -- A legal mechanism that divides profits and losses between participants. Partnerships are governed by the law of the jurisdiction in which they are formed.
 - *Advantages* -- To protect each partner and ensure effective management of the business, partners should enter into an agreement that sets forth their respective rights and responsibilities.
 - + Allows some businesses greater financial resources.
 - + Allows individuals with complementary skills to participate in managing the business.
 - *Disadvantages* -- Each partner is personally liable for the partnership's debts.

License Requirements

Before starting your child care center, know the many regulatory systems that will affect your

program. Most states require that child care centers be licensed. Some cities and counties may have additional licensing requirements, such as health regulations, safety codes, fire inspections and zoning laws. Violating these codes can result in a fine and/or suspension of your license.

Licensing requirements vary from state to state, but most include the following:

! *Physical space*

- Number of square feet needed per child both indoors and outdoors, depending on the children's ages.
- Lighting, heating/air-conditioning, ventilation and plumbing requirements.

! *Health requirements*

- Possible annual medical examinations for staff and for children.
- Immunization records. (Even if they aren't required, it's an important safeguard to consider.)

! *Staff-child ratios* -- The minimum number of adults required for a given number of children, depending on their ages. Some states also regulate the maximum size of groups of children, in addition to specifying minimum qualifications for staff.

! *Food preparation and nutrition*

! *Emergency procedures*

! *Educational program requirements*

! *Record keeping*

! *Discipline*

! *Building safety* -- Type of construction, number of exits, fire doors.

! *Sanitation (health) requirements*

- Plumbing.
- Food preparation and equipment.
- Adequate ventilation in bathroom(s) and classroom(s).

! *Fire regulations (life safety code)*

- Posted fire drill procedures.
 - Fencing requirements.
 - Type of neighborhood in which small businesses may be located.
- ! *Zoning regulations* -- Check with the local government and with any property owners' or homeowners' associations to find out if the type of child care services you are planning to provide is permitted or if there are restrictions. There may be a local child care advocacy group or professional association that can answer your questions and help you with zoning problems.

The following outline briefly identifies the steps involved in obtaining an operating license. More details are contained in the licensing regulations.

1. Obtain a copy of the licensing regulations from the state licensing office. Read them carefully.
2. Arrange a meeting with licensing specialists. Go over the regulations and procedures for obtaining your license. Also arrange for them to visit your center.
3. Contact inspectors for building, sanitation, fire and zoning codes and arrange for them to visit your center. Remember, even if your center is in your home, you will have to meet certain requirements.
4. Once you have fulfilled all the requirements, fill out and submit your licensing application.

FINDING A LOCATION

The cost of the center itself, especially for a location outside your home, will be one of your major start-up expenses. Many child care providers operate from their homes, but you may want to build, buy or rent space for your center.

Operating a Center Outside Your Home

Finding adequate space and the right location requires money, time and thought. Look for space that is accessible and will require few, if any, repairs. Sources of information on possible locations include

- ! *Classified real estate advertisements*
- Homes for rent or sale.
 - Apartments for rent or sale.

-- Condominiums for rent or sale.

-- Boarded-up space.

! *Local churches/synagogues*

-- Ask ministers/rabbis/priests if they have space they would donate or offer at a reduced rate.

-- Ask superintendents if there are any empty school buildings.

-- Ask hospital administrators if they have space to rent or donate.

! *Local industry*

-- Ask public relations offices if they have space to rent or donate.

-- Approach commercial contractors about new commercial and residential space.

-- Ask local government officials about space in their buildings for donation or rent.

! *Property management companies* -- Find out if there is any space in office buildings.

As you look at possible locations, consider the following questions:

1. Does it meet licensing requirements?
2. Does it meet building, sanitation and fire codes for day-care centers? If not, what has to be done and how much will it cost?
3. Is the area zoned for day care?
4. Is the location convenient for parents?
5. Is public transportation available?
6. Is there adequate fire and police protection?
7. Is crime insurance necessary and available at a reasonable rate?
8. Is the area safe?
9. Can the space provide separate areas for different activities?

10. Does it have outdoor space or is a playground nearby?
11. Does it have kitchen and adequate bathroom facilities for both children and adults?
12. If you will be sharing the space (with a church or school, for example), will you have to move equipment before others can use the space?
13. Can you afford it?
14. What were the utility bills last year?

If you are not building your own center, in most cases some changes will be needed. Renovation can involve projects ranging from painting to rewiring or major plumbing, which often become very expensive. Sometimes you can negotiate with your landlord that he or she perform major renovations in return for a corresponding increase in your rent.

When you think you've found the right location, ask your licensing specialist to inspect it. If renovation is needed, the specialist will often be able to give a cost estimate or direct you to someone who can. Be sure you do this before signing a lease or purchase agreement.

Whether you draw up your own lease or are given a lease to sign, responsibility for the building must be clear to both you and the landlord. This is also true if you are purchasing a building. Your lawyer should review and explain all the conditions of the lease or contract to you before you sign.

Remember, a lease should include

- ! Specifications for the space to be used and exactly when it will be used.
- ! How and when rent is to be paid.
- ! Who is responsible for maintenance, repair, insurance, extermination and garbage and snow removal, if required.
- ! Who will pay increases in real estate taxes.
- ! Who will be responsible for obtaining official permits, if required.
- ! Whether an option to renew is available.

Occupancy (space) costs include utilities, maintenance and repair expenses and insurance. To help estimate these expenses, do some preliminary research.

- ! *Utilities* -- Project utility costs based on last year's costs plus inflation. If a deposit is required or opening a utility account, how much will it be? Will your account be based on commercial (business) rates or private home rates?

! *Maintenance and repair* -- Such expenses can include

- Plumbing, wiring, roofing and outside and inside walls.
- Cleaning supplies and equipment.
- Snow removal, if required.
- Trash removal.
- Lawn mowing.
- Insect control.

! *Insurance* -- Do you need liability or fire and theft insurance? A fidelity bond?

These are a few of the items you will need to consider. As you think of other items, write them down on a checklist.

Operating a Center from Your Home

Operating a child care center outside your home is very costly, and may not be financially feasible for most child care providers. As a matter of fact, many very successful child care centers are located in the homes of the providers. The advantages of operating a center from your home are

- ! Fewer expenses.
- ! Convenience for the provider and generally for the parents.
- ! Lower overhead.
- ! More flexible hours.
- ! Proximity for provider to his or her family.

There are, however, certain safety regulations that may require changes to the rooms you will be using. Before you renovate and after you finish, have the licensing specialist and building inspector visit your home. Their suggestions and recommendations can save you money.

You also are required to have adequate insurance protection for the center. If you don't have them already, you will need fire and theft insurance for your home. If you have insurance, make sure your policy covers the supplies and equipment that you purchase. You will also have to purchase liability insurance to protect your center, staff and children. More detailed information on insurance is provided in the insurance section.

TAX LAWS

Licensed child care providers, like all business owners, are required to meet certain tax obligations, such as paying federal and state taxes. The legal structure of the business will determine the amount of taxes you will pay and the forms you will use.

Reporting business taxes can be a very complicated, tricky matter. This section is not intended as a substitute for advice by a tax specialist, nor does it list all the forms that must be filed by each entity. For additional information on these and other forms, and to avoid costly errors, contact a tax specialist or the IRS.

Sole Proprietorship

Each year, you will use Schedule C of the basic Form 1040 Individual Tax Return for reporting your business income and expenses. Good record keeping is essential for filling out these forms.

Income

Keep a ledger of all money you are paid for child care, whether in cash or by check. Record each payment, especially cash, immediately to avoid overlooking a payment and causing a bookkeeping error. Your ledger should include

- ! Clients' names.
- ! Date of each payment.
- ! Period covered by the payment.
- ! Amount paid.
- ! Receipt number.

Payments should be deposited in your bank account and funds for daily operations should be withdrawn by check only. It may be a good idea to open a separate bank account for your business. This makes it easier to monitor business income and expenditures and will certainly make reporting your business taxes easier.

Expenses

All payments that you make for the center, whether by cash or by check, are business expenses. To maintain adequate records of these expenses, always save your receipts. The better your records, the easier it will be to complete your tax forms at the end of the year.

Certain items may qualify as a tax deduction if these purchases are made solely for your center:

- ! Toys and activity supplies.
- ! Food for the children in your care.
- ! Playground equipment.
- ! Wages for assistants or substitutes.
- ! Advertising.
- ! Legal and professional services for your business.
- ! Office and record-keeping supplies.
- ! Insurance for your business.
- ! Child care-related travel (a set rate per mile; the allowable amount will vary according to your location).
- ! Typewriter and/or computer.
- ! Utilities.

Depreciation.

Expenses that benefit both your center and your family will not ordinarily qualify as a tax deduction. But tax regulations do permit you to write off any specific area of your home used strictly for business purposes.

Other forms that you may need to comply with federal regulations are

1. Schedule SE Social Security or Self-Employment Tax.
2. Form 4562 Depreciation.
3. Form W-2 Wage Statement.
4. Form 1040ES Federal Estimated Tax Payments and State Estimated Tax Payments.
5. Schedule C, Form 1040 -- Individual Tax Return.

Corporation

A corporation's taxable income reflects deductions for costs of doing business. Corporations are taxed on a graduated scale, with the minimum rate being 34 percent. Form 1120 is used to report the

annual income of the corporation.

Items deductible under proprietorships are also deductible for corporations. However, if you operate a child care center in your home, certain items are deductible only to the extent that such costs relate to the operation of the center. These items include

- ! Heat, water and electricity.
- ! Costs of staff salaries unless they are unreasonably high.
- ! Depreciation, which is deducted in computing taxable income.

Distribution of profits to shareholders, made through dividends, is not deductible by the corporation. However, these dividends are subject to double taxation in that they are not deductible by the corporation (i.e., they are paid with after-tax dollars) and shareholders are taxed on receipt of dividend distributions.

Partnership

A partnership is a pass-through entity because the partnership itself pays no tax but the income is passed on to each individual partner. Each year the partnership must file an annual information return, Form 1065, Section 6031(a), with the IRS. In addition it must prepare Form K-1, Section 6031(b), which spells out each partner's share of profits, gains, losses, deductions and credits. These amounts are reported on each partner's tax return.

S-Corporation

S-corporations are hybrid entities with characteristics of both corporations and partnerships. They do not pay taxes but must file annual information returns and prepare statements showing income, gain, loss, deduction or credit allocated to each shareholder for the taxable year. These amounts are reported on the shareholder's tax return (Form 1040 Schedule C for an individual).

Tax-exempt Center

To qualify for certain federally funded programs, you will have to establish a nonprofit center, which will make you eligible for tax-exempt status. In a nonprofit organization, any money left after expenses is returned to the operation of the center (e.g., salaries, remodeling, etc.). You must, however, file an application and meet IRS eligibility requirements to claim this status.

Some of the advantages of tax-exempt status are

- ! State sales taxes do not have to be paid.
- ! Contributions to the center are tax deductible for any donor, whether made by an individual or a foundation.

! Grants are easier to obtain from both private and public sources.

To qualify for tax-exempt status, incorporation is necessary. The process for incorporation varies widely in each state, but generally requires that bylaws be written and a board of directors elected. Information on incorporation can usually be obtained from the secretary of state's office or the department of corporation. A small fee is usually required.

Once you have filed your articles of incorporation and fulfilled all other state requirements, you can file for tax-exempt status. Remember, even with federal tax exemption, you are still required to pay state taxes. To receive state exemption, you must file with the appropriate state agency. The state, however, will not give an exemption until the federal exemption has been granted.

Before deciding to operate as a nonprofit organization, contact a lawyer. Sound legal advice will help you make the right decision.

INSURANCE

Starting and operating a business involves a degree of risk. It is important to have adequate insurance protection for your business. If you aren't exactly sure what type of insurance is best, discuss coverage and rates with several insurance agents before making a final decision.

Insurance coverage varies from state to state, but there are several types of insurance available for child care providers. Liability and accident insurance are considered essential.

Liability

A provider is liable and can be sued in court for any accident occurring because of alleged negligence or failure to exercise reasonable care. You, your employee(s), your home or your property can be found negligent.

Liability insurance for a child care program generally covers most injuries that may occur. Under such a policy, the insurance company will defend you if you are sued. If the court decides that you are liable (meaning your negligence caused the child's injury and, therefore, you should pay compensation), the company will pay the cost of the judgment up to the limits of the policy. Several states require that providers carry liability insurance, at least in some situations, and many others strongly advise it. To find out about your state's regulations, contact the local office that licenses or registers family day care or call a providers' organization.

Most general liability policies cover four basic types of costs:

- ! Bodily or personal injury.
- ! Damage to others' property.
- ! Immediate medical relief at the time of an accident.

- ! The legal costs to defend you in a lawsuit.

Other areas for possible coverage are

- ! Transporting children.
- ! Accidents in which no one is at fault.
- ! Defense costs in the event of physical/sexual abuse.
- ! Damage to your property.

Liability coverage is offered on one of two bases: (1) claims made and (2) occurrence. With claims-made policies, you are covered only for incidents that are reported during the time your policy is in force. Occurrence insurance covers you for incidents that occur during the time your policy is in force.

Liability insurance is expensive, but there are several precautions you can take to reduce the chance of accidents occurring.

- ! Child proof every room where the children will be; imagine any possible accident and prevent it.
- ! Take first aid and CPR (cardiopulmonary resuscitation) courses (call your local Red Cross for information).
- ! Learn to keep an eye on all the children.
- ! Keep walkways, stairs and sidewalks clean.
- ! Avoid fire hazards.
- ! Choose responsible assistants and substitutes.
- ! Develop clear health and safety policies.
- ! Encourage parents to visit any time and give them your written policies.

You will find that these and other policies will make your center safer. For additional information on the different types of liability insurance, contact your insurance agent.

Accident

For a small cost, you can buy accident insurance to supplement your family's medical insurance if a child or employee is injured. Talk to an agent or broker before deciding on the coverage.

FINANCING YOUR BUSINESS

Many excellent ideas that could develop into profitable business ventures never get underway or fail because of inadequate funding to start the business. Getting funding for your business can pose a problem, especially if you don't know where to go or whom to see. There are many sources for financing your center. However, that financing depends on whether you are beginning a nonprofit or for-profit organization.

While public funding is seldom available for start-up, there are several different sources of loans and grants for which you can apply. These sources of financing can be divided into six categories: private sources, venture capitalists, commercial banks, government agencies, grant programs and other sources.

Of these sources, venture capitalists are the most unlikely to finance your center; they tend to invest in growth firms rather than start-up businesses because of the significant long-term capital appreciation and the high yields generated on investment returns.

Private Sources

Private sources include your own savings or funds from friends or relatives, and are among the most common methods of financing.

The advantages of using your own money are (1) there are no finance charges and (2) your search for additional funds is minimized. The disadvantages are (1) you lose the interest you could be earning on your money and (2) you lose the use of your savings as a cushion for any future emergencies.

The advantages of borrowing from friends and relatives are (1) they are less likely to make demands on your style of management, (2) there is no legal limit on how much you can borrow and (3) the terms of borrowing can be negotiated and usually are more flexible than those of commercial sources. The disadvantage centers on the problems that may arise if the money isn't paid back on time.

Commercial Banks

All banks have a commercial division. Since the banking industry was deregulated, many savings and loan associations also engage in commercial banking. All commercial banks offer business loans -- both short-term and long-term -- at prevailing interest rates.

When applying for money from a bank or individual investor, show a willingness to invest your own money. You must be willing to risk your assets if you expect others to risk theirs. Banks will require collateral to secure their loan against total loss in the event of default. In other words, to obtain funding, the amount of cash or other assets that you will need will depend on the potential success and the level of risk of your business as evaluated by the lender.

If you need a listing of commercial banks in your area, consult the Yellow Pages or request a referral from a trade association, management consultant, attorney, accountant, friend or relative.

Government Agencies

Federal, state and local government agencies offer special financial assistance to small businesses. Many loan programs, administered under government guidelines and funded by the government, are available. Each program is designed to assist a special type of business.

States provide financing through a variety of instruments, often with restrictions imposed. Many instruments are similar to those used by private sector sources, but they may incorporate public policy objectives, such as job creation or tax revenue enhancement. Such instruments are usually designed to ensure that state funds are protected and that the proceeds are used for productive, targeted purposes.

Loans can be extended directly by a state, through a state-chartered corporation, or indirectly, through guaranteed loans from commercial lenders. Typically, loans are used for long-term capital needs, such as plant and equipment. Most states require collateral, so that in the event of loan default the state doesn't lose its entire investment. Interest rates may be at the market rate or may be subsidized by the state. Most loans require the borrower to satisfy certain criteria before a loan is granted, such as showing qualified management, market potential for the firm's product(s), sufficient collateral to secure the loan and adequate cash flow from operations to service debt.

For an up-to-date list of loan programs and their requirements, contact your local Small Business Administration (SBA) office (for information on federal loan programs) or your state economic development office (for information on state loans and grant programs).

Grant Programs

Grants are sums of money provided to businesses without a repayment obligation. They can be funded by federal or state government agencies or by private foundations. Grants are generally reserved for research and development and nonprofit organizations; few for-profit businesses qualify for grant programs.

You will have to submit a written proposal to the agency, organization or foundation where you are applying for a grant. It is a good idea when applying for a grant from private funding sources to

- ! Call or visit their offices.
- ! Ask if they have special forms or guidelines for submitting a proposal.
- ! Ask if there are any special requirements for applying, to be sure that you are eligible.
- ! Find out what their funding cycle is (some only give money at certain times of the

year).

- ! Find out when applications are accepted and decisions made.

Your proposal should describe

- ! Purpose (why you want to start a day-care center).
- ! Goals (what kind of center you are proposing).
- ! Procedure (how you will start your business).
- ! Budget (how much it will cost to start and operate your center).
- ! Evaluation (how you will determine if your business is meeting your purpose and objectives).

Once you have completed the proposal, review it to make sure you have met the requirements, then submit it to the appropriate office or officer. If your proposal is rejected, find out why. Ask if there are changes that can be made in order for you to resubmit the proposal. Sometimes sources are willing to fund only a portion of your original request. Find out which parts they can fund and resubmit for those parts.

Other Sources

Credit unions and life insurance companies also can be a source of funds. Credit unions offer personal loans to members, usually at interest rates lower than those of commercial banks. Insurance companies will often loan money against a life insurance policy for up to 95 percent of the policy value. Their interest rates also are generally lower than those charged by commercial banks. Interest payments may be deferred as long as your premium payments are made. But until the loan is repaid, your coverage will be reduced by the amount of the loan.

Whatever financial institution you approach, show a willingness to risk your own money and have a business plan or proposal that is well written, factual and well organized.

DEVELOPING A FINANCIAL MANAGEMENT PLAN

Having a sound financial management plan is paramount to the success of any business. Each year, many small businesses, including child care centers, fail because of poor financial management.

If your operation is to succeed, you'll need a sound budget, i.e., a plan that provides a realistic projection of actual estimated expenses and income. Preparing both a start-up budget and an operating budget will tell you what you will spend, now and in the future, and where the money will come from for starting and operating your center. Most important, these budgets will indicate whether your projected income will meet your expenses.

Start-up Budget

The first step to building a sound financial plan is a start-up budget. This will usually include such one-time costs as major equipment, renovation, utility deposits and down payments. Additionally, your start-up budget should include at least 60 to 90 days of operating costs.

In estimating your costs, find out what it has cost other child care centers (i.e., planned and unplanned expenses) to open over the past two years and figure in the current inflation rate. Table 1 will help you identify the items to include in your start-up budget.

Table 1 -- Start-up Budget	
Expenses	Amount
Personnel (costs prior to opening)	_____
Occupancy	
Down payment or purchase of building	_____
Remodeling costs	_____
Rent deposit	_____
Utilities deposit	_____
Equipment	
Office	_____
Program	_____
Installation fee	_____
Supplies	
Program	_____
Office	_____
Housekeeping (toilet paper cleaning supplies)	_____
Food service	_____
Miscellaneous	
Advertising	_____
Food (first month)	_____
Legal and professional fees	
Operating cash	_____
Insurance	_____
Depreciation	_____
Expenses	Total _____
Income	Total _____

Operating Budget

Prepare an operating budget when your center actually opens. This budget reflects your spending priorities, the expenses you will incur and how you will meet those expenses. From the moment the door to your new business opens, you will undoubtedly receive a certain amount of income. Do not count on this income, however, to cover operating expenses for the first 90 days.

As you estimate your expenses, the operators of other centers can help you project your actual costs, particularly for such items as telephone and supplies.

Table 2 includes a sample operating budget to help you project your annual operating expenses.

Table 2 -- Annual Operating Budget			
Expenses	Annual salary	Fringe benefits (15% of salary)	Total
Personnel			
Full-time (100%)			
Director/head teacher	_____	_____	_____
Teachers (#)	_____	_____	_____
Aide (1)	_____	_____	_____
Cook/maintenance	_____	_____	_____
Part-time (50%)			
Aides (2)	_____	_____	_____
Secretary/bookkeeper	_____	_____	_____
Substitutes (minimum wage/hour x # weeks)	_____	_____	_____
Occupancy			
Monthly rent 12 months (number of square feet amt/sq.ft.)			_____
Heat/air-conditioning			_____
Electricity			_____
Telephone			_____
Insurance			_____
Equipment			
Educational			_____
Kitchen			_____
Housekeeping			_____
Office			_____
Depreciation			_____
Supplies			
Educational			_____
Housekeeping			_____
Office			_____
Food			
2 meals and 1 snack (cost x no. of children x no. of days in the center/year)			_____
Other expenses			
Advertising			_____
Licensing fees			_____
Liability insurance (cost/child/year)			_____
Publication subscription/association			_____

Total cash & receipts									
Disbursements /month (rent, loan payment, utilities, wages, etc.)									
Cash balance (end month)									

Balancing Income and Expenses

Add your first-year operating costs and start-up costs to determine how much money you will need from the time you decide to open the center through the center's first year of operation. When including parent fees as income, remember that most centers do not have total enrollment until at least three months after they have opened for operation, and some take several years.

After completing your projected expenses and revenues, determine whether the expenses match the income. If not, you will need to lower the costs or reevaluate your market. If you cannot raise additional monies, decide where you can cut costs. For example, can you reduce your program's supply costs by relying more on recycled materials? Would such cuts help? You may be tempted to cut salaries or fringe benefits since they consume a large part of your costs. However, these are important in attracting and maintaining a well-qualified staff. Also, reducing staff may place you out of compliance with state licensing requirements and your own standards of quality.

You may want to consider increasing fees or tuition in addition to looking for other sources of revenue. Check your needs assessment and determine what parents can afford to pay and what seems to be the going rate at centers similar to yours. Be aware of tax credits available to parents for day care, and contact your local IRS office for the latest information on child care tax credits. Some centers have a sliding fee scale, which means that parents are charged different scales depending on their income level and number of children. Remember, if you lower a fee you have to make it up in other fees.

Fiscal Policies

Your budget should include fiscal policies. For example, determine when the staff is to be paid (weekly, biweekly, monthly), late fee payment policies for parents and tax reporting. Bill parents on a weekly or monthly basis. Don't let payments fall behind because the longer they are overdue, the harder they are to collect. Decide whether to charge parents for the days when a child is ill or on vacation or for holidays. There may be other policies that you will think of, so write them down and include them as part of the child care contract.

Audits

Audits play an important role in ensuring the sound financial management of a business. A review of appropriate financial records by an independent public accountant will determine whether you have spent money according to your budget and have met any requirements mandated by various funding sources as well as state and federal regulations. An audit also provides you with an accurate financial statement and recommendations to improve your financial management. Many funding sources require a financial statement or audit as a condition of future grants or contracts. You should, therefore, budget for an audit or look for an accountant who will do it for little or no charge. Contact your local accounting association for accountants who can help you.

Also, to ensure sound fiscal management of your center, contact an accountant or an accounting firm to help you set up your books. This help will be invaluable.

DEVELOPING A MARKETING PLAN

How you market your center may make the difference between its success or failure. Like any other business, a child care center provides a service that consumers want and are willing to purchase. Therefore, you will have to sell your service to the consumers (parents). Your marketing plan can help you achieve this goal.

Know Your Customers

Knowing your customer is the key to successfully marketing your center. The more you know about the parents' expectations, the easier it will be to develop a program that meets their needs, as well as the children's. The data collected in assessing your community's needs will help you do this. Also, develop a list of questions to help you identify what the parents will likely need, want and expect of your center. Use the data collected in your initial assessment and the survey to help answer those questions.

The questions may include

1. What type of service will be provided?
2. What are the operating hours?
3. Do the operating hours match the parents' work schedule?
4. Is extended evening care available?
5. Where is the center located?
6. Is the location convenient and easily accessible?

7. How many staff members have degrees or training in early childhood education or a related field?
8. What is the teacher-to-child ratio (e.g., one adult to seven children)?
9. Will there be a curriculum? Will it be structured?
10. Have you or will you devise an activities schedule?
11. How will the center be operated? Hours? Staffing? Activities? Fees?
12. Have medical/first aid policies been developed?
13. What will the sleeping arrangements be?

Once you have answered these questions, you will have a base from which to develop your marketing plan.

The Marketing Program

Many first-time business owners think that simply placing an advertisement in the local newspaper or a commercial on a local radio or television station will make customers flock to purchase their product or service. This is true to a certain extent, but hundreds, even thousands, of other possible customers may never learn of your business. Just think of the money you'll lose, simply because you didn't develop an adequate marketing program.

There are certain factors you should consider when developing your marketing strategy. These are called the five Ps of marketing:

- ! *Product/service* -- The description of the product or service.
- ! *Price* -- An amount competitive within the market area.
- ! *Place* -- The description of the location, including its advantages, such as adequate parking, good street lighting, easy access.
- ! *Promotion* -- The method of advertising or highlighting the business.
- ! *Persuasion* -- The ability to sell your services and the business to the surrounding community.

Each factor requires an investment in dollars, time and effort, but the reward will be worth it. Devise a plan that uses advertising and networking (word-of-mouth advertising) to promote your center. Develop short, descriptive copy that clearly identifies the services provided by your center, the price of those services and the center's location. Use catchy phrases to arouse the interest of your readers, listeners or viewers. Remember, the more care and attention you devote to your marketing program,

the more successful your center will be.

Marketing Your Center

No matter what advertising media you use, you will have to spend money, so allow for advertising expenses in your budget. There are many ways to advertise your center, but keep in mind that advertising costs vary with the medium used. Newspaper advertisements and radio and television commercials are the most expensive means of advertising. If you can afford to use one of these media, talk to an advertising agency before making a final decision. Once you've decided on the medium, get the agency to help you design your advertisement or create a commercial.

Whatever advertising media you use, be sure to include the following information:

1. Name, address and telephone number of the center.
2. Ages of children who will be accepted.
3. Hours the center will be open.
4. Fees charged.
5. A description of the program and the qualifications of the staff.
6. Whom to contact for more information.
7. Date you plan to open.

Start advertising your center at least three months before you open for business. Make sure your advertisements are consistent with the image you are trying to project.

To ensure the success of an advertising program, try to meet your competition head on. Look at your competitors. In what sections do they advertise? What size advertisements do they use?

Inexpensive Advertising Techniques

If you do not have the money to advertise by radio, television or newspaper, don't be discouraged. There are other inexpensive yet effective alternatives. A brief description of each follows.

- ! *Fliers and brochures* -- One inexpensive way to advertise is to post fliers in public buildings, such as shopping centers, markets, laundromats, restaurants and community centers. Get permission from the owner(s) or governing body (e.g., managers, board of directors) of these facilities before posting your fliers -- some public buildings prohibit solicitation.

Distributing brochures is another good way to advertise. Take brochures or fliers to employment offices, libraries, schools, personnel offices of businesses and industries,

government agencies, hospitals, union headquarters or shops, women's groups, colleges and universities, church groups and the parent-teacher associations (PTAs).

To develop effective brochures and fliers, study written advertisements in the newspapers and magazines; ask yourself which advertisements appeal to you and why and try to develop similar ones. If you know people in advertising or public relations, ask them to help you design your brochures and fliers, to avoid the cost of professional help.

! *Business cards* -- Business cards are an excellent, inexpensive way to advertise. Have business cards printed in lots of 1,000. Include your name, address and telephone number, the hours of your center and the ages of the children you'll care for. Ask parents, friends and relatives to pass them out to interested people at work. Take them along to pass out when you take the children on a field trip or a walk in the neighborhood. Anyone who works with families may be able to make referrals to you -- ministers or rabbis, school staff, pediatricians, parent groups and business or civic organizations. Provide them with business cards, fliers or brochures on your center so they can knowledgeably talk to prospective clients.

! *Referral agencies* -- The number of child care referral agencies is growing. If you are licensed or registered, you may be eligible to be listed for referrals by the licensing office and other referral agencies in your community. Check the *National Directory of Child Care Information and Referral Agencies* for the agency nearest you. (For this information, write to the California Child Care Resource and Referral Network, 809 Lincoln Way, San Francisco, CA 94122.)

! *Networking* -- Perhaps one of the best ways to market your center is through networking. Since most parents choose their child's caregiver from word-of-mouth recommendations, talk about yourself and your program to people who might have the opportunity to recommend you. Volunteer to speak to local civic and church groups and to the PTA.

Networking adds a credibility to your service that advertising can't. This is primarily because advertisements are designed to convince people to purchase a certain product or service at any cost while word-of-mouth referrals are based on an individual's satisfaction with a product or service. Since most people value their family's and friends' judgment more than an advertisement, they will more likely choose your center if it is so recommended.

Remember, word-of-mouth advertising depends on the quality of your program. If parents are pleased with the way their children are thriving at your center, they will tell their friends. Good providers in clean, safe and appealing centers are in high demand almost everywhere.

Yellow Pages -- Directory advertising is completely different from other forms of

advertising. It is for people who are ready to buy. Other media deliver readers, viewers or listeners; directories deliver buyers. Include as much information as possible in your directory advertisement as people frequently make decisions based on the information in directories.

As with any print media, be sure your entire market is covered by the intended directory with minimal waste.

- ! *Classified ads* -- Place an advertisement in the classified section of your local newspaper. Announce your opening in the business section as well as other feature sections. Many people read the business and classified sections of the newspaper during their commute to and from work. Placing an advertisement in these sections increases your clientele base.

Know the Competition

A cardinal rule of effective marketing is to know your competitors. Assess their operations and find a way to beat them. Many entrepreneurs mistakenly believe that their competitors consist solely of firms that offer similar services or products in the same geographic area. However, they may also include any business vying for the same clients.

Your estimate of competitors should include all those who offer related services. They may be in the same geographic area or another area that is accessible to your clients. To determine the competitiveness of your market, find out

1. What businesses offer child care service.
2. Who your major competitors are, both direct and indirect (e.g., child care centers accessible to your clientele).
3. How long your competitors have been in business.
4. How your center will benefit the clients more than your competitors' centers.
5. If there is a need for additional centers in your area or in an area that is easily accessible?
6. How competitors' centers are similar to or different from yours.
7. What your competitors' strengths and weaknesses are.
8. How competitors' businesses are faring.
9. How competitors will act when you enter the market.
10. What competitors' managerial abilities, financial situations, facilities, reputations, etc.

are.

Financial institutions and investors often place heavy emphasis on potential competition when deciding to fund a new business. Whether or not you apply for a loan to finance your center, it is good to know as much as possible about your competitors.

Sources of Market Information

There are several sources of market information. They include

- ! Market research consultants and advertising firms.
- ! Colleges and universities.
- ! Your own research.
- ! Other sources, such as the Yellow Pages or industrial directories.

Market Research Consultants and Advertising Firms

Market research consultants are professionals who complete market survey reports. They can also help you develop a marketing plan. Most advertising firms also have a market research department that can help you develop survey questionnaires and analyze and interpret the data. The drawback to using a professional consulting and advertising firm is the cost.

Try to find a consultant or advertiser who will analyze and interpret the data and help you develop a marketing plan for a nominal fee.

Colleges and Universities

Business schools in local colleges and universities often have professional and student groups that offer consulting services. They can help you with a market survey and a marketing plan, as well as with problem areas. Student services, however, may be available only during the academic year. It is important that you approach these services with well-defined needs and be prepared to actively participate as the project progresses. Contact local colleges or universities for additional information.

Many colleges and universities are involved with an SBA-affiliated program called the Small Business Institute (SBI). SBIs provide many services, including market analysis. If you need help analyzing the market and interpreting survey data, contact the local SBA office for information on the nearest SBI program.

Your Own Research

You may choose to conduct your own market analysis. Most market research is time consuming, and the techniques can sometimes be quite sophisticated. Even if you do not have the time or the skills needed, you can still conduct simple research that can yield a tremendous amount of information.

This technique is called focused group interviews.

First, from your personal knowledge, put down some facts about your market. Then assemble a small group of acquaintances, friends or relatives who represent a good cross section of the client group you are hoping to serve. Describe your center and the service you plan to provide. Ask for feedback. Use this information to determine if your idea is feasible and if your center will be accepted. A marketing or advertising specialist can help you set up these groups.

Other Sources

Your local library is usually a gold mine of information. Many publications, such as government reports, contain valuable up-to-date information. If you have any questions, the reference librarian is trained to find the information. Do not hesitate to ask for help.

DEVELOPING A MANAGEMENT PLAN

Like the marketing program, your management system will help set the foundation and ultimate plan for your business. Planning and developing a program that adequately manages your center is very important. There are many factors that you must consider, such as finding and hiring qualified staff, determining staff size, setting working hours, deciding on staff responsibilities, establishing salaries and fringe benefits and developing personnel policies.

Since it is unlikely that you will have all the skills needed to effectively manage your center, you will have to hire personnel who have the skills you lack.

Finding and Hiring Staff

Your staff is a reflection of your program philosophy and goals. The members' quality and performance are critical to the success of your center. Many factors will influence your hiring decisions. Some of these points have been discussed in earlier sections. They include

- ! Your goals and objectives.
- ! Licensing regulations concerning staff-child ratios and group size.
- ! Needs assessment surveys that assisted you in determining the age group of the children to be cared for and what kinds of experience parents wish for their children.

Hiring Procedures

It is important to establish hiring procedures. If you used a parent group to assist you with your needs assessment, you might want to include them when you hire. They can offer invaluable advice on hiring qualified staff who will satisfy your and their needs.

Some steps in the hiring process include

1. Establish criteria for selecting your staff. Working with children involves enhancing their social, intellectual, emotional and physical development. Major considerations in a candidate are his or her personal qualities; attitude toward child care, children and parents; previous applicable employment and education or other special training. Having the necessary qualities and skills to fulfill the job description is, of course, also important. To give you an idea of what to look for when selecting teachers for your center, sample curriculums for the Associate's, Bachelor's and Master's programs in early childhood education are included in Appendix C.
2. Establish a time frame. Remember, you will need time to advertise, interview and make selections, and some individuals may have to give notice to present employers, so it is wise to begin the hiring process at least 60 days in advance.
3. Advertise for employees.
4. Review resumes based on your criteria.
5. Telephone any promising applicants for an interview. Screen to be sure they meet your criteria.
6. Have candidates fill out application forms.
7. Conduct interviews (if possible, observe candidate with children).
8. Contact references.
9. Review and make your decision.
10. Notify candidates of your decision, even those you do not hire.

Recruiting Staff

Table 4 lists several places where you might begin to recruit staff.

Source	Director	Teachers	Cook	Secretary/ Bookkeeper
College placement office	X	X		X
Vocational high school		X	X	X

State licensing office	X	X		
Information and referral agency	X	X		
Local employment agency	X	X	X	X
Newspaper advertisements (nearest city paper)	X	X	X	X
Local business school				X
Notices in markets and laundromats	X	X	X	X

Each advertisement should include a job title, brief job description, qualifications, deadline for applications, request for resume, telephone number or address and whom to contact. Remember, the more qualified your staff, the more effective your program will be at meeting the needs of the parents and children.

Determining Staff Size

The size of your staff will depend on how many children you plan to care for, state licensing regulations and the quality of the program you plan to provide.

States establish minimum guidelines for the number of staff needed in a child care center, depending on the age of the children. You may choose to exceed these minimum requirements.

Research has shown that for three to five year olds, groups of 14-18 children work well. Infants should be in much smaller groups than that, and school-age children may be in slightly larger groups.

In addition to your regular staff (those caring for the children), you will need to make decisions regarding other personnel who, although not working directly with the children, are necessary to maintain a smoothly operating center (e.g., a cook if you are preparing food at the center, a secretary, a bookkeeper and a custodian). Substitute staff will be necessary for days when regular staff and volunteers are ill, on vacation or in training.

Setting Working Hours

As you decide on the number of staff you will need, also plan the hours they will work at the center. Most centers are open 10 to 12 hours daily. However, the kind of service you plan to provide will determine your center's hours.

Working with children is emotionally and physically demanding. Staff tend to be less effective after six hours. If you require eight hour shifts, staff are entitled by law to lunch breaks and coffee breaks, the latter usually once in the morning and once in the afternoon.

Developing a staff schedule depends on how many children are present at different times of the day. Children do not all come or leave at the same time.

Deciding on Staff Responsibilities

Job responsibilities depend on job descriptions, the authority each person has in line with his or her responsibilities, how it will be determined whether those responsibilities have been met and who will supervise whom. Job descriptions must be written for all staff members, including you.

To help you develop job descriptions, contact

- ! Your licensing agent.
- ! Agencies that assist people in determining their skills (e.g., Displaced Homemakers, Urban League, YWCA, etc.).
- ! Child care resource and information referral centers.
- ! Child care associations.

Establishing Salaries and Fringe Benefits

To maintain a consistent, qualified staff, you must offer competitive salaries and fringe benefits. Some fringe benefits to consider are

- ! Payment of social security (optional for nonprofit organizations).
- ! Health insurance.
- ! Workers' compensation (mandatory).
- ! Vacation leave.
- ! Sick leave.
- ! Personal leave.
- ! Paid maternity/paternity leave.
- ! Paid training at workshops, conferences or colleges.
- ! Retirement plan.
- ! Professional days.

The same people available to help you with job descriptions can also help you make decisions concerning salaries and fringe benefits.

Personnel Policies

A written personnel policy is your outline of operating procedures for staff members. It details what they can expect and what is available to them as employees of your center. Clearly stated, policies help avoid misunderstandings and misinterpretations.

Personnel policies generally include

- ! Job descriptions.
- ! Salary ranges from lowest to highest level for any one position.
- ! Benefits.
- ! Hiring and terminating procedures.
- ! Evaluation procedures.
- ! Grievance procedures.
- ! Sick and vacation leave.

Legal Aspects

You must become familiar with many laws when others are working for you. These laws regulate

- ! *Withholding tax (federal income tax)* -- Check with the IRS.
- ! *State or municipal income tax* -- Ask your bank whom to contact.
- ! *Workers' compensation* -- Contact your state agency or an insurance company.
- ! *Social security (FICA)* -- Contact your local social security office.
- ! *Unemployment insurance* -- Contact your state employment security agency.

These laws and regulations constantly change so it is important to keep abreast of them. For more information, contact the IRS or a lawyer.

Volunteer Staff

In addition to some paid staff, many centers use volunteers to meet licensing requirements.

Volunteers can offer special activities that centers could not otherwise afford to give children and their families. They can serve as teachers, teacher aides, secretaries and bookkeepers. Many volunteers are skilled in story telling, dance, art and music. Parents may have skills in nursing, accounting or law and may want to serve as volunteers as a way to reduce tuition fees.

If you decide to use volunteers, be very specific about when they will work. Describe their duties, so they know to whom they are to report and the person to notify if they will be absent. There are risks in using volunteers to maintain your staff-child ratio. If a volunteer does not show up, you could be in violation of state regulations.

You may find volunteers at

- ! Colleges and universities (student teachers, students in art, music, athletics).
- ! Fraternities and/or sororities.
- ! Girl Scouts and/or Boy Scouts.
- ! Junior League.
- ! Foster grandparent programs.
- ! Senior citizen groups.
- ! Armed forces bases.
- ! Training programs such as early childhood development classes.

PREPARING THE CENTER

Before you start caring for children, it is wise to transform your center (i.e., your home or location outside your home) into a place that is safe, clean, comfortable and inviting to parents and children alike. There are a number of measures that you can take; each is described below.

Safety

You must be confident that all areas the children will use -- indoors and outdoors -- are safe. To check, you might want to crawl around on your hands and knees, asking, What could a child possibly get into here? How might a child be hurt here? What other problems could be caused here? Make sure

- ! All items children should not use are safely locked away or on high, inaccessible shelves.
- ! Precious breakables are put away.

- ! Poisonous plants are out of reach.
- ! Stairs are well lighted and secure underfoot.
- ! Chemicals, medicines and other dangerous items are behind safety locks.
- ! Toys are stored on shelves to avoid injury from falling lids on toy boxes.

All play materials, furniture, shelving, outdoor equipment -- everything with which children will come into contact -- should be checked every few days for loose parts or any safety hazard. Broken toys and missing pieces discourage play and should be fixed, put away or discarded. A doll with a missing limb could be tenderly cared for, and perhaps bandaged or fitted with a pretend artificial limb during hospital play. If beyond repair, some broken equipment can be dissected by the children to see what is inside before it is thrown away.

Sometimes parents are willing to build and repair equipment to keep costs down. Or a parent can be given a discount for helping with these tasks. Occasionally one or more parents may be willing to build shelves, a backyard climber or a child-size picnic table.

Be aware that, while garage sales are often a source of first-rate toys and equipment at bargain prices, older model cribs and other items may not meet current safety standards.

Equipment and Materials

The equipment and materials you will need depend on the ages of the children you care for. Here is a list of ideal equipment and materials for a center serving a wide age range of children:

- ! Child-size tables and chairs, booster seats, high chairs and infant seats. Tables can be used for eating and for a variety of children's activities.
- ! Cribs, beds, cots, all with protective mattress pads covered with plastic that can be stored under the beds; blankets and sheets for each child. If you use your family's beds, lay the children's bedding on top of the made-up bed.
- ! Diapering area (preferably near a faucet) that can be easily sanitized after each use; nearby childproof, sanitary storage for used diapers; step stools for sink and toilet.
- ! Space -- to crawl, toddle, run, climb and to be alone (but still in view).
- ! Outdoor play space (sand, hard surface for wheeled toys, swings, climber, garden) or a nearby park. A covered porch or carport is ideal for rainy days.
- ! Art materials, such as meat trays, egg cartons, computer paper; washable surfaces for messy activities.

- ! Water and sand to scoop and pour into plastic dishpans or a larger trough or water table; old throw rugs or other absorbent floor covering.
- ! Large and small, simple and complicated toys, including building materials such as wooden and plastic blocks.
- ! Good children's books and a quiet, cuddly place to read them.
- ! Paperback books can be covered with clean adhesive plastic to protect and strengthen them.
- ! Games, puzzles, dolls, vehicles (child powered rather than battery powered).
- ! Make-believe props, clothes and costumes for dressing up and pretending.
- ! Record player, tape recorder and radio; number, alphabet and color charts or cards; canister for crayons, pencils and other miscellaneous art materials.
- ! A fabric carrier for young babies and a backpack carrier for babies who can sit up. Many babies love swings and bouncing chairs.
- ! For older children, a private place with props and equipment that children can rearrange as they choose. School-age children will also need a place to keep their things from school and perhaps a place to do their homework.

For suggestions on specific toys for different age groups, call the National Association for the Education of Young Children (NAEYC) at 202-232-8777 or 800-424-2460 or write to NAEYC, 1834 Connecticut Avenue, NW, Washington, DC 20009-5786.

You do not need to spend a lot of money on toys and equipment if you set up your center creatively. Your warmth and enthusiasm will be your best asset.

Setup

Your center should be arranged so children can play happily with each other and by themselves, participate in a structured curriculum (if provided) and experience their growing independence by hanging up their own coats, putting dishes in the dishwasher or putting away art materials. Allow the children to suggest ways to make learning and playing fun and safe. While you will always closely supervise their activities, you can't be with all the children every minute. If there are interesting things for children of different ages to do, you will be able to feed a baby or prepare lunch knowing that the children are safe, busy and happy. If you provide structured activities for the older children, have your center arranged so the younger children can play quietly without interrupting the sessions, and so you can monitor their activities.

Your job will be easier if you arrange your center to simplify everyday routines. Some problems can be prevented by having selected things where the children can reach them (e.g., toys, spare clothes

and water cups), and others where they can't (e.g., house plants, TV, crayons and children's projects). If children can take care of some of their own needs, it makes them feel independent and competent and frees you to do other things. Encourage the older children to help the younger children with simple tasks such as tying shoes and buttoning or zipping coats; it reinforces their independence, sharpens their skills and fosters friendship and learning among peers.

Storage

Adequate storage is especially important for child care providers with limited space. Well-designed storage reduces clutter and increases play space. Boards and cement blocks make sturdy, inexpensive shelves for preschool and older children. Heavy cardboard cartons and wooden crates from grocery stores can also be used to build storage units. Make sure shelves are stable enough that children won't tip them over when they use the furniture to pull themselves up to stand or walk.

It is a good idea to rotate toys and materials: put away items the children are tired of for a few weeks; bring them out later and the children will enjoy rediscovering them. You may want to assemble theme boxes containing all the materials you need for a specific activity.

Every child should have a personal storage area, even if it is only a shoe box or an ice cream tub. Label it with the child's name and a special symbol. Each child's special area should be off limits to the other children. This gives the child a feeling of belonging and the security of knowing special things can be kept safely.

As a businessperson, you will need office space. Efficient storage of administrative and financial records will save you time. You may not have the money to purchase a file cabinet or desk when you open your center. However, you can use drawers and cabinet space that you usually keep junk in as a file cabinet for the children's emergency cards, expense receipts and business papers. Empty shelves can also be used for storing business records.

It is a good idea to find a secure place to keep your business records because these records will be used to file your federal and state taxes at the end of the year. If you misplace any of your records, filing accurate taxes will be virtually impossible.

PLANNING THE PROGRAM

Communicating Policies to Parents

Once parents begin to respond to your advertisements, you will need to make appointments with them to discuss enrolling their children at the center. At that time, in addition to the enrollment form, you will need policies that address:

! Illness.

! Vacation.

- ! Holidays.
- ! Field trips.
- ! The center's hours.
- ! Who is authorized to pick up the child or children.
- ! What extra clothes, if any, will be required.
- ! Activities taking place at the center.

It may be a good idea to develop a child care contract that explains the policies of your center. If you have a contract, have parents enrolling their children sign it and provide them with a copy. That way, if any problems or emergencies arise, the parents know, up front, what your policies are.

Structuring the Program

How you structure the program for your center is another very important aspect to consider. Many child care centers, especially those set up in the home, have no real program -- the children just play all day. The same toys are always available but never presented in any way. Planning is essential to avoid boredom and to increase learning opportunities.

Your program -- what you and the children do day-by-day -- will be the key to your professional success and pleasure. If children are bored, they not only are missing developmental opportunities, but also may have more discipline problems and be more difficult to get along with. All will be happier if you have interesting activities that you and they can look forward to daily.

Scheduling

Some providers like to follow a daily schedule, doing the same activities at approximately the same time every day. Others like to be more spontaneous, responding to everyone's moods and the opportunities that come along. If you like tight schedules, you may need to be more flexible, because young children are spontaneous; they have their best moments without any warning.

A good provider observes the children for activity ideas. Sometimes these activities require planning and sometimes they don't. Put your planning energy into setting up a rich environment -- set the stage for children to come up with their own ideas. Everyday living will provide many of the activities. Learning to put on a jacket, spreading peanut butter on a cracker, playing peek-a-boo with a baby -- these are important activities for young children. Ideally you should have a variety of activities on hand. Keep a list of possibilities to choose from when something is needed.

Watch the children's natural tendencies to help you plan an effective sequence for the day. If they are creative during the morning, that is a good time for learning (e.g., alphabet, numbers, art activities). If they tend to get rowdy after a snack, that is the time to go outside. If they are sleepy and cuddly after waking from their naps, reading stories might be a successful activity. If school-age children

resist structured activities when they arrive, they should be allowed free-play time.

You will need to adjust your routines as new children bring different needs and personalities to the group. Each group of children is different. You can plan activities, but make sure you flow with children's natural tendencies rather than oppose them. A good policy for planning is to alternate between active and quiet times, structured and unstructured activities and together and private times.

Be sure to inform parents what has happened during the day. If you follow a schedule, post it on the bulletin board or include it in your parents' handbook. If you don't follow a schedule, you can list the day's activities. Parents are usually eager to find out what their children have been doing. Informing them builds communication and helps parents recognize your efforts and respect your perceptions.

Activities

Your choice of activities will be influenced by the developmental levels of the children in your center. The idea behind the concept that children learn and play in different ways depends on their experience and interest, ages and special needs. For example, one two-year-old child might climb better than another four-year-old child, or a younger child who has played with a material frequently will use it in more complex ways than an older child who has not had any experience with that material.

Provide many chances for children to make real choices and explore ideas or objects on their own. Young children learn by handling real-life materials. Allow enough time for each activity, so children don't feel pressured, but have time to see each activity to completion.

Help children do what they are interested in, and offer materials and assistance in a way that helps them learn to help themselves, others and the world, and to feel good about what they can do and who they are in this world. Curious, confident children will continue to be eager learners and cooperative children.

Present learning activities and toys in a way that stimulates the children's interest and play. Children need structured and unstructured time for learning and experimenting activities. How you present an activity will vary by the children's development levels and the mood of the moment. Suppose you want to set up an art activity with discarded magazines, scissors, paste and paper. Older children may be able to select the pictures they want to use, cut them out and paste them on their paper without any help. You may be needed only to set up the materials. A younger child may need a lot of help learning how to use scissors and, in fact, the cutting may turn out to be the whole activity. An example of both structured and unstructured activities for preschool-age children developed by the Sha-Za Early Learning Center is shown in Table 5.

**Table 5 -- Preschool Activities Developed by the
Sha-Za Early Learning Center***

! Gather children into a group for roll call.

! Sing a good morning song together. Discuss the

weather (cold hot warm raining).

- ! Hand coordination activity -- Break up into individual groups according to age (group A -- age two; group B -- age three) for painting. Distribute water paint and paper to both groups. Let group A finger paint and group B paint using brushes.
- ! Practice nursery rhymes using hand instruments.
- ! Snack.
- ! Introduce the numbers 1-5 and the letters A-C to class. Practice as a group and individually.
- ! Hand coordination and motor skills activity -- Introduce buttoning, zipping up clothes and typing.
- ! Lunch/free time.
- ! Nap.
- ! Gather for story time.
- ! Snack.
- ! Free time.

Depending on the ages of the children you may want to do an activity all together with a small group or individually. Let the children know you value their work. Avoid activities to impress parents; keep your program centered on the children at all times. Explain to parents why it is important for children to invest part of themselves in their work. Watch how proud and confident children are when they say I did it myself!

* Inclusion of the activity developed by the Sha-Za Early Learning Center does not imply SBA's endorsement of the center's program. It is merely presented as a model.

Curriculum

In order to provide quality educational programs for children from preschool through high school, many states require that child care providers offer structured educational curriculums to their children as a condition for certification or registration. Even if your state does not so stipulate, it is a good idea to develop an adequate educational program for your center. Parents will be more likely to view you as a caring professional dedicated to the total growth and development of their children,

and you will attract more families to your center.

If you do not have the expertise to develop an educational program for your center, contact an early childhood education specialist at a local college or university or the National Association for the Education of Young Children for assistance. Explain the type of service you are planning to provide and the age groups you will serve.

There are several concepts you can use to develop a curriculum. However, many child care professionals recommend that you use the *Developmentally Appropriate Practices* or the *Montessori Method*. These curriculums are designed to aid a child's intellectual, social, emotional and physical development. To give you an idea of what should be included in the curriculum for your center, a sample is provided in Table 6

Table 6 -- Sample Curriculum for Child Care Center

Educational skills	Activities
Pre-reading	! Learn names of objects and how to categorize them (e.g. food animals clothing toys furniture). ! Learn parts of objects (e.g. a pencil has a point lead shaft eraser). ! Learn opposites (big-little, fat-skinny, hard-soft, hot-cold).
Reading	! Learn to recognize labels on objects. ! Recognize community signs (e.g. stop signs, McDonald's, Safeway). ! Use language experience stories dictated stories and teacher-made materials.
Handwriting	! Learn to write name date and numerals. ! Learn to write upper and lower case manuscript letters. ! Write dictation of words and simple sentences.
Math	! Learn sequences (forward and backward). ! Explore with unit blocks. ! Count using familiar objects. ! Use blocks to learn sets likeness differences and intersection of sets. ! Learn to make things equal. ! Learn calendar and clock skills.

Science	<ul style="list-style-type: none"> ! Learn about precipitation (rain, snow, sleet, hail). ! Learn about lightning and thunder. ! Learn about water (solids, liquids, gases). ! Learn about air (evaporation, movement). ! Learn to name and identify the seasons.
Social Studies	<ul style="list-style-type: none"> ! Learn one's own name names of other children, teachers and staff. ! Learn members of immediate family. ! Learn members of extended family.
Art	<ul style="list-style-type: none"> ! Use different media -- clay, easel paint, finger paint, crayon. ! Visit museums. ! Converse and work with artists in the community.
Music	<ul style="list-style-type: none"> ! Learn and sing different songs. ! Learn to play and listen to records. ! Name and identify instrument classes. ! Participate in rhythm and body movements. ! Listen to and identify musical styles (classical jazz pop rhythm and blues).
Other important skills your center should focus on include,	<ul style="list-style-type: none"> Perception motor skills Dramatic play Self-help skills Health and safety procedures services for the handicapped social services and eligibility determination,

Nutrition

Let parents know the times and kinds of meals and snacks you plan to provide for the children -- for example, by posting weekly or daily menus -- and inform them of anything special in your nutrition program, such as the fact that you do not serve sweets. Most parents will be happy to find a caregiver who is concerned about children's nutrition. Sometimes parents may request special nutritional considerations for their children, such as no sugar or no milk products. If you cannot accommodate the request (for example, a vegetarian diet), the parents may need to supply special meals.

If you are licensed or registered, you are eligible for a substantial reimbursement for your child care food expenses. For more information on the Child Care Food Program (CCFP), write the U.S. Department of Agriculture, Washington, DC 20250.

Parent Involvement

Children's development depends not only on you as the caregiver, but also on the parents' involvement. Children feel more secure and develop into confident, well-rounded individuals when they know their loved ones support them. Get the parents involved in the children's educational and recreational activities. For instance, plan a field trip to a local museum and, if possible, have some parents accompany you. The children will be pleased that their parents are going with them. Of course all parents cannot attend every activity.

Arrange conferences with parents to discuss the skills that you plan to cover and to give them brief reports of their children's progress. Parents will be delighted to know you are as concerned and committed to the total development of their children as they are.

TRAINING

Providers often begin with no training other than that of being a parent or a baby-sitter. Since caring for a group of children often can present more challenges than your experience has prepared you to meet, you may find that training in early childhood education and child development is very useful. There is much to be learned about positive ways to discipline or guide children and about activities for different developmental levels.

Research has shown that provider training is related to the quality of child care. Trained providers are more in demand by parents, who are becoming increasingly sophisticated about selecting care for their children. Whether or not you have a college degree or a high school diploma, you are required to have a minimum of 15 hours of training in early childhood education to qualify for certification or licensing. For additional information on these requirements, contact your state or local child care licensing office.

Training series and individual workshops are offered by resource and referral agencies, NAEYC affiliate groups, adult education programs and school districts.

The Child Development Associate Program

The Child Development Associate (CDA) Program is one form of training available to child care providers. It offers a national credential based on performance with children and families. By participating in this program, you can learn more about your work and be recognized for your skills. The competency standards for the credential can help you identify your strengths and weaknesses, even if you do not apply for the program. For more information about this voluntary program, or a copy of the book containing all the competencies identified for family child care providers, call the Council for Early Childhood Professional Recognition at 202-265-9090 or 800-424-4310.

Other Degree Programs

Many two- and four-year colleges and universities offer degrees in early childhood education. Although you may not have training in this field, if you are planning on eventually making this your lifetime vocation, you may want to consider getting a degree. There is no doubt that the quality of a child's education depends not only on the parent's involvement but also on the education of the teacher and child care provider.

The following degrees are offered in early childhood education:

1. *Associate of Arts in Child Developmental and Nursery School Education* -- two-year degree; total hours required for graduation: 72.
2. *Bachelor of Arts in Early Childhood Education* -- four-year degree; total hours required for graduation: 125.
3. *Master of Arts in Early Childhood Education* -- graduate degree; total hours required for graduation depends on degree requirements.
4. *PhD in Early Childhood Education* -- total hours required for graduation depends on degree requirements.

Remember, the criteria for graduation depend on the requirements set by individual institutions. For information specific to the degree program you are interested in, contact the admissions office of the college or university nearest you.

APPENDIX A: BUSINESS PLAN OUTLINE FOR CHILD CARE CENTERS

Business Plan Elements

Cover Sheet

- I. Name, address and phone number of business
- II. Names of principals

Statement of purpose

Table of Contents

- I. The Business
 - A. Description of the business
 - B. Location of the business
 - C. Competition and feasibility study
 - D. Operating procedures and policies
 - E. Personnel
 - F. Business Insurance

II. Financial data

- A. Application for loan
- B. Capital equipment and supply list
- C. Balance sheet
- D. Break-even analysis
- E. Income projection statement:
 - Three-year summary
 - Detail by month, first year
 - Detail by quarter, second and third years
 - Assumptions upon which projections were based
- F. Monthly cash flow projection

III. Supporting documents

- A. Tax returns of principals for last three years
 - B. Personal financial statements (all backs have these forms)
 - C. Proposed lease agreement
 - D. Contractors' renovation estimates
 - E. Licenses or other legal documents
 - F. Resumes of all principals
 - G. Reference letters and/or letters of intent (from suppliers, etc.)
 - H. Copy of curriculum.
-

I. The Business

A. Description of the business

Generally explain

1. What types of child care services will be offered.
2. What your curriculum is (or will be).
3. What market you intend to serve, the size of the market and your expected share of the market.
4. Why you can serve that market better than your competitors.
5. Why you have chosen your particular location.
6. What management and other personnel are required and available for the operation.
7. Why your investment or someone else's money (debt/equity) will make your business profitable.

Address the following areas for each section listed:

1. Status of child care center start-up: expansion of a going concern or takeover of an existing child care center?
2. Business form: sole proprietorship, partnership or corporation?
3. Who are the customers?

4. Why is your child care center going to be profitable?
5. When will or did your center open?
6. What hours and days will you be or are you in operation?

For a new child care center, address the following areas:

7. Why will you be successful in the child care business?
8. What is your experience in the child care business?
9. Have you spoken with other people in the business about their experiences, challenges and rewards? What was their response?
10. What will be special about your center?
11. Have you spoken with prospective trade suppliers (i.e., educational materials, toys, food distributors) to find out what managerial and/or technical help they will provide?
12. Have you asked about trade credit?
13. If you will be doing any contract work, what are the terms of the agreements? (Reference any firm contract and include it as a supporting document.)
14. Do you have letters of intent for prospective suppliers or purchases?

B. Location of the business

1. What are the attributes of your business location?
2. Will you buy or lease the space?
3. What is the cost of the space? Is it competitive with comparable space in the general area?
4. What are the advantages and disadvantages of the site with reference to wage rates, labor unions and labor availability?
5. How much space do you need?
6. What is the building's proximity to clients or suppliers?
7. What is the building's access to public transportation and parking?
8. What are the state and local taxes, state and local laws, utilities and zoning variables that may affect the location of your center?
9. Does the surrounding community show enthusiasm for you and your business?

C. Competition and feasibility study

1. Who are your five nearest competitors?
2. How will your center be better than theirs?
3. How is their business -- Steady? Increasing? Decreasing?
4. How are their operations similar and dissimilar to yours?
5. What are their strengths and weaknesses?

D. Operating procedures and policies

1. What is or will be the payment policy?

2. How are rates determined?
3. How will legal matters be addressed?
4. How will volunteer assistance be managed?
5. What will the parents' handbook contain regarding the center's rules and regulations?
6. What are the procedures for handling emergencies?

E. Personnel

1. What are your personnel needs now? In the near future? In five years?
2. What skills must personnel have?
3. Are the people you need available?
4. Will your employees be full- or part-time?
5. Will you pay salaries or hourly wages or both?
6. Will you provide fringe benefits? If so, what? Have you calculated the cost of these fringe benefits?
7. Will employees be required to work overtime occasionally?
8. Will you have to train people? If so, at what cost to the business?

F. Business insurance

1. State the amount of your insurance policy and give a brief summary of what is covered:
 - a) Property.
 - b) Personal injury.
 - c) Loss of key person.
2. You may also want to state that the policy is available for inspection upon request.

II. Financial Data

See outline on page 29; sample forms follow.

III. Supporting Documents

See outline on page 29.

A. LOAN FORM -- SEE LOCAL BANK FOR SBA FORM 4

B. CAPITAL EQUIPMENT AND SUPPLY LIST

	Model	Cost or list price
Major equipment and accessories		
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____

_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____
	Total	\$ _____
Minor equipment		
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____
	Total	\$ _____
Other equipment and supplies		
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____
	Total	\$ _____
	Grand Total	\$ _____

C. BALANCE SHEET

COMPANY NAME

As of _____, 19____

Assets		Liabilities	
Current assets		Current Liabilities	
Cash	_____	Accounts Payable	_____
Petty Cash	_____	Notes Payable	_____
Accounts Receivable	_____	Interest Payable	_____
Inventory	_____	Taxes Payable	
Short-term Investments	_____	Fed. income tax	_____
Prepaid expense	_____	State income tax	_____
		Self-employment	_____
		Sales tax (SBE)	_____
		Property tax	_____
Long-term investments	_____	Payroll accrual	_____
Fixed assets		Long-term liabilities	
Land	_____	Notes payable	_____

Buildings	_____	Total liabilities	_____
Improvements	_____		_____
Equipment	_____	Net worth (owner equity)	
Furniture	_____	Proprietorship	_____
Automobiles/ vehicles	_____	or Partnership	_____
		(name's) equity	_____
		(name's) equity	_____
		or	
Other assets		Corporation	
1.	_____	Capital stock	_____
		Surplus paid in	_____
3.	_____	Retained earnings	_____

4.	_____	Total net worth	_____
	_____	Total liabilities	_____
Total assets	_____	and net worth	_____
(Total assets will always equal total liabilities and total net worth)			

INSTRUCTIONS FOR BALANCE SHEET

Figures used to compile the balance sheet are taken from the previous and current balance sheet as well as the current income statement. The income statement is usually attached to the balance sheet. The following text covers the essential elements of the balance sheet.

At the top of the page fill in the legal name of the business, the type of statement and the day, month and year.

Assets

List anything of value that is owned or legally due the business. Total assets include all net values. These are the amounts derived when you subtract depreciation and amortization from the original costs of acquiring the assets.

Current Assets

- ! *Cash* -- List cash and resources that can be converted into cash within 12 months of the date of the balance sheet (or during one established cycle of operations). Include money on hand and demand deposits in the bank, e.g., checking accounts and regular savings accounts.

- ! *Petty cash* -- If your business has a fund for small miscellaneous expenditures, include the total here.
- ! *Accounts receivable* -- The amounts due from customers in payment for merchandise or services.
- ! *Inventory* -- Includes raw materials on hand, work in progress and all finished goods, either manufactured or purchased for resale.
- ! *Short-term investments* -- Also called temporary investments in marketable securities, these include interest- or dividend-yielding holdings expected to be converted into cash within a year. List stocks and bonds, certificates of deposit and time-deposit savings accounts at either their cost or market value, whichever is less.
- ! *Prepaid expenses* -- Goods, benefits or services a business buys or rents in advance. Examples are office supplies, insurance protection and floor space.

Long-term investments

Also called long-term assets, these are holdings the business intends to keep for at least a year and that typically yield interest or dividends. Included are stocks, bonds and savings accounts earmarked for special purposes.

Fixed Assets

Also called plant and equipment. Includes all resources a business owns or acquires for use in operations and no intended for resale. Fixed assets, except for land, are listed at cost less depreciation. Fixed assets may be leased. Depending on the leasing arrangement, both the value and the liability of the leased property may need to be listed on the balance sheet.

- ! *Land* -- List original purchase price without allowances for market value.
- ! *Buildings*
- ! *Improvements*
- ! *Equipment*
- ! *Furniture*
- ! *Automobiles/vehicles*

Liabilities

Current liabilities

List all debts, monetary obligations and claims payable within 12 months or within one cycle of operations. Typically they include the following:

- ! *Accounts payable* -- Amounts owed to suppliers for goods and services purchased in connection with business operations.
- ! *Notes payable* -- The balance of principal due to pay off short-term debt for borrowed funds. Also include the current amount due of total balance on notes whose terms exceed 12 months.
- ! *Interest payable* -- Any accrued fees due for use of both short- and long-term borrowed capital and credit extended to the business.
- ! *Taxes payable* -- Amounts estimated by an accountant to have been incurred during the accounting period.
- ! *Payroll accrual* -- Salaries and wages currently owed. Long-term Liabilities

Long-term Liabilities

Notes payable -- List notes, contract payments or mortgage payments due over a period exceeding 12 months or one cycle of operations. They are listed by outstanding balance less the current portion due.

Net Worth

Also called owner's equity, net worth is the claim of the owner(s) on the assets of the business. In proprietorship or partnership, equity is each owner's original investment plus any earnings or withdrawals.

Total Liabilities and Net Worth

The sum of these two amounts must always match that of total assets.

C. BREAK-EVEN ANALYSIS

Sales	\$ _____
Costs of goods/services sold	\$ _____
Gross profit	\$ _____
Fixed expenses	\$ _____
Net profit (loss)	\$ _____

Step 1. Divide gross profit by sales to show percentage relationship

Step 2. Divide fixed expenses by gross profit as percent of

sales expressed as a decimal point (gross profit divided by 100)
 Step 3. Fixed expenses divided by gross profit equal break-even point.

E. INCOME PROJECTION STATEMENT

	Industry %	J	F	M	A	M	J	J	A	S	O	N	D	Annual total	Annual %
Total net sales (revenues)															
Cost of sales	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Gross profit	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Gross profit margin	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Controllable expenses															
Salaries/wages	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Payroll expenses	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Legal/accounting	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Advertising	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Automobile	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Office supplies	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Dues/subscriptions	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Utilities	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Miscellaneous	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Total controllable expenses	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Fixed expenses															
Rent	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Depreciation	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Utilities	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Insurance	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Licenses/permits	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Loan payments	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Miscellaneous	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Total fixed expenses	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Total expenses	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Net profit (loss) before taxes	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Taxes	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Net profit (loss) after taxes	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

The income projection (profit and loss) statement is valuable as both a planning tool and a key

management tool to help control business operations. It enables the owner-manager to develop a preview of the amount of income generated each month and for the business year, based on reasonable predictions of monthly levels of sales, costs and expenses.

As monthly projects are developed and entered into the income projection statement, they can serve as definite goals for controlling the business operation. As actual operating results become known each month, they should be recorded for comparison with the monthly projections. A completed income statement allows the owner-manager to compare actual figures with monthly projections and to take steps to correct any problems.

Industry Percentage

In the industry percentage column, enter the percentages of total sales (revenues) that are standard for your industry which are derived by dividing

$$\text{cost/expense items by total net sales} \times 100\%$$

These percentages can be obtained from various sources, such as trade associations, accountants or banks. The reference librarian in your nearest public library can refer you to documents that contain the percentage figures, for example, Robert Morris Associates' Annual Statement Studies (1 Liberty Place, Philadelphia PA 19103)

Industry figures serve as a useful benchmark against which to compare cost and expense estimates that you develop for your firm. Compare the figures in the industry column to those in the annual percentage column

Total Net Sales (Revenues)

Determine the total number of units or products or services you realistically expect to sell each month in each department at the prices you expect to get. Use this step to create the projection to review your pricing practices.

! What returns, allowances and markdowns can be expected?

! Exclude any revenue that is not strictly related to the business.

Cost of Sales

The key to calculating your cost of sales is that you do not overlook any costs that you have incurred. Calculate cost of sales for all products and services used to determine total net sales. Where inventory is involved, do not overlook transportation costs. Also include any direct labor.

Gross Profit

Subtract the total cost of sales from the total net sales to obtain gross profit.

Gross Profit Margin.

The gross profit margin is expressed as a percentage of total sales (revenues) it is calculated by dividing

gross profits by total net sales

Controllable Expenses

- ! *Salary expenses* -- Base pay plus overtime.
- ! *Payroll expenses* -- Include paid vacations, sick leave, health insurance unemployment insurance and social security taxes.
- ! *Outside services* -- Include costs of subcontracts, overflow work and special or one-time services.
- ! *Supplies* -- Services and items purchase for use in the business.
- ! *Repairs and maintenance* -- Regular maintenance and repair, including periodic large expenditures such as painting.
- ! *Advertising* -- Include desired sales volume and classified directory advertising expenses.
- ! *Car, delivery and travel* -- Include charges if personal car is used in business, including parking, tolls, buying trips, etc.
- ! *Accounting and legal* -- Outside professional services.

Fixed Expenses

- ! *Rent* -- List only real estate used in the business
- ! *Depreciation* -- Amortization of capital assets.
- ! *Utilities* -- Water, heat, light, etc.
- ! *Insurance* -- Fire or liability on property or products. Include workers' compensation.
- ! *Loan repayments* -- Interest on outstanding loans.
- ! *Miscellaneous* -- Unspecified; small expenditures without separate accounts.

Net Profit (loss) ! Subtract total expenses from gross profit
(before taxes)

Taxes	!	Include inventory and sales taxes, real estate tax, etc.
Net Profit (loss) (after taxes)	!	Subtract taxes from net profit (before taxes)
Annual Total	!	For each of the sales and expense items in your income projection statement, add all the monthly figures across the table and put the results in the annual total column.
Annual Percentage	!	Calculate the percentage by dividing annual total by total net sales x 100%
	!	Compare this figure to the industry percentage in the first column

F. MONTHLY CASH FLOW PROJECTION

This is a form which cannot be reproduced in this format.

APPENDIX B: SAMPLE SURVEY FOR PARENTS

I am considering opening a child care center. I want to be able to provide care that best meets the needs of you and your children.

Please answer the following questions:

1. How many of your children need day care?
2. What are their ages?
3. Which is more convenient for you:
 - a. A center near your workplace _____ (address)?
 - b. A center near your home _____ (address)?
 - c. Other location _____
4. What hours and days will children need care?
5. How much are you willing to pay a week for care?
6. Will transportation need to be provided?
7. Are you willing to pay extra for transportation?

8. What experience and activities do you wish your children to have at the center?

Optional:

Name _____

Address _____

Telephone _____

APPENDIX C: CURRICULUM AND INSTRUCTION IN EARLY CHILDHOOD EDUCATION

Department of Curriculum and Instruction College and Education and Human Ecology University of District of Columbia (UDC)

The Department of Curriculum and Instruction at the University of the District of Columbia offers undergraduate programs in early childhood education, elementary education, reading, industrial arts education and vocational education. The undergraduate program in early childhood education is designed to prepare students for careers as teachers and professional service personnel in the schools of the District of Columbia and to work as directors, teachers or staff members in child care centers. Students are also prepared for further study at an advanced level. This sample curriculum is typical of such programs.

Associate of Arts in Child Development and Nursery School Education

Total hours required for graduation: 72

Required courses:

Course No.	Hours
Core courses	(8)
0335 105 Family Life Science and Career Orientation	(2)
0327 205 Principles of Child Development	(3)
0333 204 Introduction to the Study of Foods	(3)
Concentration:	(30)
0327 215 Developing Social Behavior in Young Children	(3)
0327 224 Planning the Day Care and Nursery School Facility	(3)
0327 304 Nursery School and Parent Education	(3)
0327 306 Advanced Child Development	(3)
0327 325 Administration and Supervision of the Nursery School Facility	(3)
0331 224 Family Health and Home Safety	(3)
0331 345 The Child in the Family	(3)
0331 318 Child Health and Nutrition	(3)
0335 615 Consumer Education	(3)
0319 211 Child Study	(3)

0319	206	Infant Education	(3)
0319	304	Play Activities	(3)
0351	305	Children's Literature	(3)
0345	104	Introduction to Media, Computerized Methods and Techniques	(3)
0207	104	Introduction to Business	(3)
		Elective in Child Development	(3)

Bachelor of Arts in Early Childhood Education

Total hours required for graduation: 125

Required courses:

0319	104	Early Childhood in Perspective	(3)
0319	204	Young Child Growth and Development	(3)
0319	206	Infant Education	(3)
0319	211	Child Study	(3)
0319	301	Curriculum Content for Early Childhood Education I	(3)
0319	302	Curriculum Content for Early Childhood Education II	(3)
0319	304	Play Activities and Materials	(3)
0319	307	Home-School Discipline for Young Children	(3)
0319	311	Methods and Materials for Early Childhood I	(3)
0319	312	Methods and Materials for Early Childhood II	(3)
0319	314	Teacher, Child, School and Community Interactions in Early Childhood Education	(3)
0319	405	The Role of the Teacher in Early Childhood Education	(3)
0319	406	Student Teaching and Seminar in Early Childhood Education	(12)
0319	405	The Young Child in a Multicultural Society	(3)
0217	203	Data Processing Algorithms	(3)
0351	314	The Teaching of Reading in the Elementary School	(3)
0353	304	Survey of Exceptional Children	(3)
0535	393	Theory and Applications of Mathematics	(3)

Recommended electives:

0319	307	Home-School Discipline for Young Children	(3)
0319	404	Philosophy of Education of the Young Child	(3)
0319	407	Understanding Self and Relationships	(3)
0319	414	Cognitive Skills and the Preschool Child	(3)
0323	475	Measurement and Evaluation in Teaching and Learning	(3)
0345	487	Multi-Media Workshop	(3)
0351	305	Children's Literature	(3)

Master of Arts in Early Childhood Education

The Master of Arts in Early Childhood Education will prepare you for a career as a master teacher,

specialist or administrator in programs for young children in private and public education settings.
Total hours required for graduation: 33

Core courses:

Child Development Theories in Early Childhood Education
Assessing the Development of the Young Child
Current Problems and Issues in Early Childhood Education

Research courses:

Research Techniques in Early Childhood Education Thesis

Specialization courses:

Language Development in Early Childhood Education

Curricula for Mathematics and Science in Early Childhood Education
Curricula for Activities (Art, Drama, Music, Movement and Literature)

Play as an Integral Curricula Component (Play Activities, Social Studies, Physical Education, Health and Safety)

Strategies for Teaching Young Children

Practicum Experiences in Early Childhood Education

APPENDIX D: NATIONAL ORGANIZATIONS*

Child Care Action Campaign

330 7th Ave., 18th Floor
New York, NY 10001
212-239-0138

A coalition of leaders from diverse organizations advocating high quality child care. Activities include education, information services, proposing possible solutions and technical assistance to government offices. Bimonthly newsletter with membership.

The Child Care Employee Project

6536 Telegraph Ave., Suite A201
Oakland, CA 94609
415-653-9889

A clearinghouse on child care employee issues including salaries, status and working conditions. Publications on such topics as research on child care, personnel policies, legislative issues affecting salaries. Quarterly newsletter with membership.

The Child Care Food Program (CCFP)

U.S. Department of Agriculture
Washington, DC 20250

Sponsors nutrition education and partially reimburses food costs to family day care and child care center programs (a specific amount for each child per meal or snack). If your state licenses programs, contact your local licensing office to find sponsors for your area. Otherwise, contact your state department of agriculture or education.

The Child Care Law Center

22 Second St., 5th Floor
San Francisco, CA 94105
415-495-5498

Call or write for a free listing of publications.

The Children's Defense Fund

122 C St., NW, Suite 400
Washington, DC 20001
202-628-8787

Education about and advocacy for the needs of children, especially low-income, minority and handicapped children. Publications include a monthly newsletter on federal legislation and an annual analysis of the federal budget. Call for a free publications catalog.

The Children's Foundation

725 15th St., NW, #505
Washington, DC 20005
202-347-3300

Information and materials on home-based child care issues. Publishes the Family Day Care Bulletin and the Directory of Family Day Care Associations. Sponsors the National Family Child Care Advocacy Project and a resource clearinghouse. Sample newsletter and publications list available upon request.

Cooperative Extension Services

Located in local county government offices. Free or inexpensive materials on home child care, child development and other topics of interest to providers. Look in the government listings of your telephone book under your county's name.

Council for Early Childhood Professional Recognition

1718 Connecticut Ave., NW, Suite 500
Washington, DC 20009
202-265-9090; 800-424-4310

Purpose is to train, assess the competence of and certify caregivers. Awards credentials to home-based child care providers, preschool and infant/toddler caregivers and home visitors. Bilingual specialization also available. The competencies for home-based child care providers are listed on page 27. They are useful for self-evaluation and to identify areas for further development.

ERIC Clearinghouse on Elementary and Early Childhood Education (ERIC/EECE)

College of Education

University of Illinois

805 W. Pennsylvania Ave.

Urbana, IL 61801-4877

217-333-1386

Publishes newsletters periodically on educational materials, publications and events.

Mothers at Home

8310 Old Court House Rd.

Vienna, VA 22182

703-827-5903

Supports mothers who choose to work at home. Publishes monthly newsletter, Welcome Home.

National Association for the Education of Young Children (NAEYC)

1834 Connecticut Ave., NW

Washington, DC 20009-5786

202-232-8777; 800-424-2460

Call or write for a listing of publications.

National Black Child Development Institute

1463 Rhode Island Ave., NW

Washington, DC 20005

202-387-1281

Publishes a newsletter and calendar featuring issues and important dates in history relevant to the development of black children.

National Center for Clinical Infant Programs (NCCIP)

2000 14th St. North, Suite 380

Arlington, VA 22201

703-528-4300

Publishes information and sponsors conferences on infant health, mental health and development.

National Commission on Working Women

1325 G St., NW, lower level

Washington, DC 20005

202-273-5764

Focuses on the needs and concerns of the approximately 80 percent of women in the work force who are concentrated in low-paying, low-status jobs. Excellent work on child care employees.

Resources for Child Caring

450 North Syndicate Ave., Suite 5

St. Paul, MN 55104

612-641-0305

Publishes books, training guides and audiovisual materials. Includes Toys 'n Things Press. Write for

free catalog. Also publishes bimonthly magazine, Family Day Caring.

Save the Children Child Care Support Center

1340 Spring St., NW, #200
Atlanta, GA 30309
404-885-1578

Sponsors yearly conference for home-based child care providers. Publications include a guide to home-based child care audiovisual training resources.

School-Age Child Care Project

Wellesley College
Center for Research on Women
Wellesley, MA 02181
617-431-1453

Provides information and assistance in understanding the latchkey problem and developing options for services and policies. Write for general information and a list of publications.

Work and Family Information Center

The Conference Board
845 Third Ave.
New York, NY 10022
212-759-0900

Clearinghouse for information concerning interrelationship between work and family, and employer-supported child care, including resource and referral services, family day care satellites and parent fee subsidies.

* Inclusion of these organizations does not imply SBA's endorsement.

APPENDIX: INFORMATION RESOURCES

U.S. Small Business Administration (SBA)

The SBA offers an extensive selection of information on most business management topics, from how to start a business to exporting your products.

This information is listed in The Small Business Directory. For a free copy contact your nearest SBA office.

SBA has offices throughout the country. Consult the U.S. Government section in your telephone directory for the office nearest you. SBA offers a number of programs and services, including training and educational programs, counseling services, financial programs and contract assistance. Ask about

! *Service Corps of Retired Executives (SCORE)*, a national organization sponsored by

SBA of over 13,000 volunteer business executives who provide free counseling, workshops and seminars to prospective and existing small business people.

- ! *Small Business Development Centers (SBDCs)*, sponsored by the SBA in partnership with state and local governments, the educational community and the private sector. They provide assistance, counseling and training to prospective and existing business people.

- ! *Small Business Institutes (SBIs)*, organized through SBA on more than 500 college campuses nationwide. The institutes provide counseling by students and faculty to small business clients.

For more information about SBA business development programs and services call the SBA Small Business Answer Desk at 1-800-U-ASK-SBA (827-5722).

Other U.S. Government Resources

Many publications on business management and other related topics are available from the Government Printing Office (GPO). GPO bookstores are located in 24 major cities and are listed in the Yellow Pages under the bookstore heading. You can request a Subject Bibliography by writing to Government Printing Office, Superintendent of Documents, Washington, DC 20402-9328.

Many federal agencies offer publications of interest to small businesses. There is a nominal fee for some, but most are free. Below is a selected list of government agencies that provide publications and other services targeted to small businesses. To get their publications, contact the regional offices listed in the telephone directory or write to the addresses below:

Consumer Information Center (CIO)

P.O. Box 100

Pueblo, CO 81002

The CIO offers a consumer information catalog of federal publications.

Consumer Product Safety Commission (CPSC)

Publications Request

Washington, DC 20207

The CPSC offers guidelines for product safety requirements.

U.S. Department of Agriculture (USDA)

12th Street and Independence Avenue, SW

Washington, DC 20250

The USDA offers publications on selling to the USDA. Publications and programs on entrepreneurship are also available through county extension offices nationwide.

U.S. Department of Commerce (DOC)

Office of Business Liaison

14th Street and Constitution Avenue, NW

Room 5898C

Washington, DC 20230

DOC's Business Assistance Center provides listings of business opportunities available in the federal government. This service also will refer businesses to different programs and services in the DOC and other federal agencies.

U.S. Department of Health and Human Services (HHS)

Public Health Service

Alcohol, Drug Abuse and Mental Health Administration

5600 Fishers Lane

Rockville, MD 20857

Drug Free Workplace Helpline: 1-800-843-4971.

Provides information on Employee Assistance Programs.

National Institute for Drug Abuse Hotline: 1-800-662-4357.

Provides information on preventing substance abuse in the workplace.

The National Clearinghouse for Alcohol and Drug Information: 1-800-729-6686 toll-free. Provides pamphlets and resource materials on substance abuse.

U.S. Department of Labor (DOL)

Employment Standards Administration

200 Constitution Avenue, NW

Washington, DC 20210

The DOL offers publications on compliance with labor laws.

U.S. Department of Treasury

Internal Revenue Service (IRS)

P.O. Box 25866

Richmond, VA 23260

1-800-424-3676

The IRS offers information on tax requirements for small businesses.

U.S. Environmental Protection Agency (EPA)

Small Business Ombudsman

401 M Street, SW (A-149C)

Washington, DC 20460

1-800-368-5888 except DC and VA

703-557-1938 in DC and VA

The EPA offers more than 100 publications designed to help small businesses understand how they can comply with EPA regulations.

U.S. Food and Drug Administration (FDA)

FDA Center for Food Safety and Applied Nutrition

200 Charles Street, SW

Washington, DC 20402

The FDA offers information on packaging and labeling requirements for food and food-related products.

For More Information

A librarian can help you locate the specific information you need in reference books. Most libraries have a variety of directories, indexes and encyclopedias that cover many business topics. They also have other resources, such as

- ! *Trade association information*
Ask the librarian to show you a directory of trade associations. Associations provide a valuable network of resources to their members through publications and services such as newsletters, conferences and seminars.

- ! *Books* -- Many guidebooks, textbooks and manuals on small business are published annually. To find the names of books not in your local library check Books In Print, a directory of books currently available from publishers.

- ! *Magazine and newspaper articles* -- Business and professional magazines provide information that is more current than that found in books and textbooks. There are a number of indexes to help you find specific articles in periodicals.

In addition to books and magazines, many libraries offer free workshops, lend skill-building tapes and have catalogues and brochures describing continuing education opportunities.