

Financial Strategies to Support Program Stability

JANE HUMPHRIES, ED.D.

The past few years have taken a significant toll on the field of early childhood care and education. Many programs have had to close, while others have re-opened or are new to the field and are struggling to survive. When talking with leaders whose programs are thriving, three strategies have emerged as keys to stability. These strategies include carefully managing cash flow, utilizing multiple payment options for tuition, and adhering to tuition policies and procedures. Let's learn a little more about each strategy.

Managing Cash Flow

Tuition paid by families is the largest revenue stream for many early childhood programs. This tuition, the foundation of a program's budget, is distributed across the fiscal year and serves as the educated guess for income when operating a program. A budget guides income and expenditures throughout the year. Additional reviews by accountants provide insights based on the history of program budgets by analyzing and presenting numbers that help to determine actual costs. While all of this financial data helps to manage the overall fiscal operations of an early childhood program, why is [managing cash flow](#) so important?

Adequate cash flow keeps a program operating day-to-day. In some instances, this can include using a line of credit, should that become necessary. A [cash flow statement](#) shows what funds are immediately available for use. The statement, which reflects current amounts within similar budget categories and line items, reflects the mental exercise of going through all income and expenses to determine the dollar amount on hand at any given time. This provides the ability to know when actual funds arrive and when expenditures can be scheduled for payment and allows a program leader to manage cash flow proactively instead of reactively. Cash flow relies on receiving tuition in a timely, efficient, and predictable way. Having efficient payment options for families to utilize assists with this process.

Options for Tuition Payment

Getting cash in the door quickly and securely is the next strategy. Today's banking industry provides many options to small and large early childhood program businesses. Some of the most commonly used include:

- [Bank drafts](#) (sometimes referred to as ACH)
- [Credit card and online payments](#) (such as PayPal, Apple Pay, and Google Pay)
- [Automatic 'Bill Pay'](#) services through bank checking accounts to handle recurring payments (similar to utility or mortgage payments)
- Check deposits using [bank apps](#)
- [Cash apps](#)
- Cash

Each one of these [payment options](#) has monitoring and cost considerations:

- Bank drafts may not be funded if there are no funds in a family's account, and follow-up would be necessary to include collecting fees potentially charged by banks.

- Many love the ease of swiping a credit card or the use of popular online payment services to benefit from participation in reward programs. However, it may be necessary to charge the user 'swipe or use fee' percentage to offset the convenience of credit card use.
- Automatic bill pay services secure funds as long as the amount due does not exceed the account balance. Too many overdrafts or insufficient fund fees may result in dealing with a family's account switching to another payment method. This may result in family members playing "catch-up" on their tuition for a few weeks.
- Payment by check is still accepted, which has resulted in programs utilizing bank apps to upload images of the checks within these apps to avoid trips to the bank and allow quicker access to the funds within the program account. While this means tracking checks and pursuing those presented with insufficient funds, it allows for quicker fund availability. Check for hidden fees as some banks may charge a small fee after a certain number of electronic deposits.
- While cash apps are very convenient and have minimal fees, in 2023, the IRS now requires that any business transaction must be reported on a [Form 1099-K](#) if more than \$600 is received. Cash apps may provide this service for a fee.
- Accepting cash. [Smaller programs](#) may appreciate having cash in hand, while larger programs might prefer to avoid accepting cash payments due to the risks associated with having cash on the premises. A program may want to minimize the risk of theft or harm to an employee. Tracking cash payments for IRS purposes is also cumbersome if a system of accountability is not set up.

There are many options for receiving payments to have access to funds promptly. Choosing the best option requires understanding a family's needs and utilizing effective tracking systems. However, none of this will work if tuition is not paid regularly. This is when a program leader must develop, implement, and enforce tuition policies and procedures.

Tuition Policies and Procedures

[Collecting payments](#) is vital to maintaining the financial health of any early childhood program. However, it is probably one of the least favorite roles of a program leader. Careful consideration must be given when creating tuition policies and developing procedures to collect funds. It is essential to have daily management practices and processes that minimize collection issues. Proper accounts receivable management allows program leaders and their staff to do what they love, be with the children.

Programs must have effective policies in place, and they must enforce them consistently. Inconsistent enforcement can result in a strain on cash flow. Managing the accounts receivable will always require time from a program leader. The first step is ensuring that effective policies are articulated and provided in writing to all family members or caretakers responsible for the child. Most programs have payment policies that impose significant fees for late payments. Those who do not pay can also face the possibility of children being disenrolled when payments are not received promptly.

For policies to be effective, program leaders must follow account receivable procedures regularly. Program leaders should [allocate time each week](#) to review the accounts receivable. Any outstanding balances should be dealt with by a formal written or electronic notification and personal contact by phone and during the morning or afternoon pick-up hours. While email collection notices or notes to families serve as documentation, these are easy to avoid and ignore. Speaking personally with each family member is more likely to yield results. Special arrangements can be considered for long-term families who communicate regularly, but they should be in writing and followed through.

Conclusion

Managing cash flow, offering multiple options for tuition payment, and staying on top of tuition policies and collection procedures are [administrative leadership](#) strategies to support program stability. Program leaders should not apologize for having consistent policies and procedures in place. By maintaining control of cash flow, program leaders have a better opportunity to provide a safe, stable early childhood program where children can grow and learn.

Want to learn more about [Building a Sound Business Strategy](#)? Check out our [Aim4Excellence™](#) online professional development opportunity, and also consider joining us in February 2024 by attending, in person, [Leadership Connections™](#) to learn how experts in our field are navigating these and other challenges. Mark your calendar for February 7-9, 2024, and watch for registration to open soon!

Jane Humphries, Ed.D., serves as the Aim4Excellence™ Program Specialist and curriculum developer for the McCormick Center for Early Childhood Leadership at National Louis University. She has written curriculum and facilitated online learning in graduate and undergraduate level courses since 2004. The Aim4Excellence program is the online National Director Credential recognized by the National Association for the Education of Young Children (NAEYC) accreditation and is incorporated in multiple state quality rating and improvement systems.