

## Business Plan

02/25/2019

# The Tree House of Early Learning



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## Business Plan

## Confidentiality Agreement

The undersigned reader acknowledges that any information provided by The Tree House of Early Learning LLC in this business plan, other than information that is in the public domain, is confidential in nature, and that any disclosure or use of same by the reader may cause serious harm or damage to The Tree House of Early Learning LLC . Therefore, the undersigned agrees not to disclose it without express written permission from Tamisha Sewell, Owner of The Tree House of Early Learning LLC.

Upon request, the undersigned reader will immediately return this document to The Tree House of Early Learning LLC.

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Signature

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Name (typed or printed)

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Date

This is a business plan. It does not imply an offering of securities.

## **Executive Summary**

### **Summary**

The Tree House of Early Learning LLC is currently a home based childcare facility. We have been open and providing high quality care to children in the Independence area for 4 years now. We are currently planning to expand into a larger center based program to better serve the needs of our community with the highest quality of care available.

### **Management**

Tamisha Sewell is the founder, owner, and director of The Tree House of Early Learning. She is responsible for all daily operations currently and will continue to be upon expansion. Mrs. Sewell has over 10 years experience in childcare and has owned The Tree House of Early Learning for 4 years in its current location. She received her degree in Family and Human Studies in 2012. During her time in school not only did she learn about early childhood education but she has also studied business management and human resources. These skills have served her well as she is responsible not only for the children's daily activities and education but also every other aspect of the business. She also has professional experience with design and marketing that will serve as a major asset.

### **Products and Services**

The Tree House of Early Learning provides high quality childcare in a creative, safe, educational and caring environment. We work to strengthen families to provide the best outcome for children in our care. We also provide after school care for school age children. We also will host a variety of training for both our own staff and other early childhood educators in the area to help improve care for all children in the area.

### **Customers**

Our target market is families with children ages 0-5 as well as school age children who need after school care. We serve families in the Independence area as well as towns in the surrounding area. We will also target area early childhood education professionals for our training opportunities.

### **Required Funds**

It is our plan to build a new building to expand due to none of the buildings in town meeting our needs. We have found that the cost of building new is comparable to the cost of renovating an old building. Building new will also give us the advantage of not having to deal with many large maintenance issues in the first years of our expansion as everything will be brand new. We are looking for a loan of \$150,000 to build a new facility as well as furnish it.

## **Company and Financing**

### **Company Overview**

The Tree House of Early Learning is an LLC with a single owner. I chose this structure due to its benefits over sole proprietorship such as protecting myself and my personal assets. We plan to be located in Independence Kansas in a location that can serve both families in town and the surrounding area.

### **Management**

Tamisha Sewell is the founder, owner, and director of The Tree House of Early Learning. She is responsible for all daily operations currently and will continue to be upon expansion. Mrs. Sewell has over 10 years experience in childcare and has owned The Tree House of Early Learning for 4 years in its current location. She received her degree in Family and Human Studies in 2012. During her time in school not only did she learn about early childhood education but she has also studied business management and human resources. These skills have served her well as she is responsible not only for the children's daily activities and education but also every other aspect of the business. Mrs. Sewell is also a member of The National Association for the Education of Young Children (NAEYC) and the North American Reggio Emilia Alliance (NAREA) and is a very active member of the community. She is a member of the Kansas Children's Service Leagues Community Leadership and Development Council, the Director of Eclectix Art Gallery, and has been a part of various community boards such as the Independence Community College Early Childhood Education Board and Art Board and helped provide feedback about what employers are looking for in the field as well as other input into the program.



### **Required Funds**

We anticipate needing about \$150,000 in start-up funding in order to properly capitalize The Tree House of Early Learning Center. We have received a quote of approximately \$135,000 to complete the new building and we would use the other \$15,000 to cover costs such as furnishing rooms and playground equipment. The funds will primarily be used for:

- Building of a new facility;
- Furniture and fixtures, including playground equipment and fence;
- Computers and cameras;

We do not anticipate producing any meaningful operating losses.

### **Mission Statement**

The Tree House of Early Learning's mission is to provide high quality childcare to families in Independence and the surrounding area. We offer a curriculum based on Montessori and Reggio Emilia teaching styles that is based on each child's and each classroom's needs. It is our goal to give children a life long love of learning and provide a feeling of community for all of the families that we serve.

## Company History

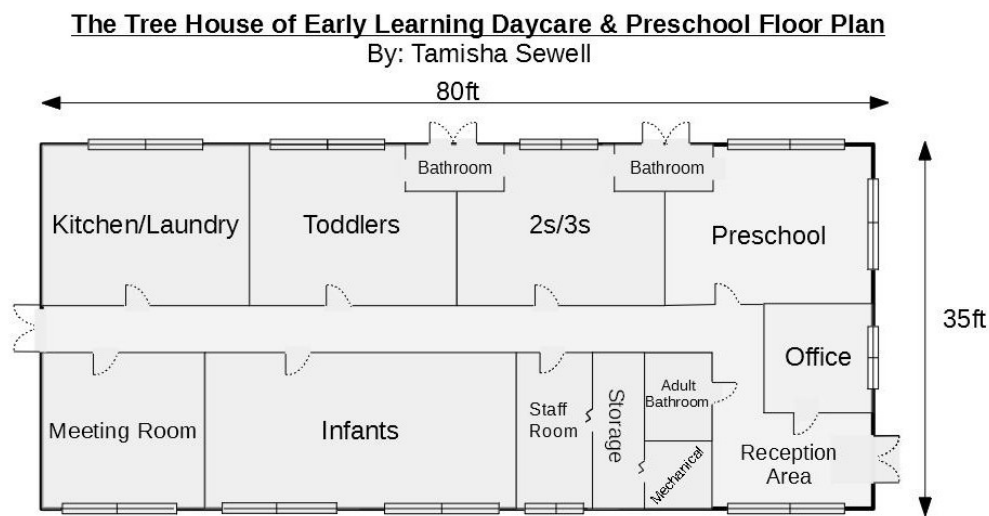
Tamisha Sewell started in the daycare industry just over 10 years ago while living in Salt Lake City Utah. After living and working in Salt Lake City she eventually decided to come back home to Independence, her family, friends, and community. She knew that the Independence area was in need of high quality childcare options and wanted to do what she could to help fill that need in our community. Once she returned home and found the right house she got down to business and got the daycare set up in her home as she knew it would take time to find, or even possibly build the perfect building for the daycare. Since then she has served a wide variety of families in the area, not only providing families with a safe, educational, creative and loving environment but also helping parents find any resources available to families in the area.

Every year since The Tree House of Early Learning has opened she has made sure the daycare participates in the community and even sponsors local child related events such as the "Chair"ish charity auction that benefits the Kansas Children's Service League as well as other community events. In 2016, 2017, 2018 and 2019 The Tree House of Early Learning has won the Independence Daily Reporter's Reader Choice Award for "Hottest Daycare". This is largely due to current and previous family's love for the program as well as awareness of the daycare and what we do in the community.

In 2018 our net profit after all expenses was \$24,460, in 2019 our net profit is projected to be at \$31,176. This increase is due to both an increase in students who are enrolled year round, an increase in fees/tuition, as well as working with the Links to Quality Grant Pilot Program. We expect to continue to see such increases in the future. We also will see an increase in revenue from provider training classes after expansion.

## Locations and Facilities

The company plans to build a well lit, safe and inviting facility with lots of natural light and plenty of outdoor play space. The inside space of the facility will be 2,800 square feet and accommodate 28 children. There will also be rooms for staff, storage, and meetings. The parking lot will have at least 10-12 parking spaces to accommodate families during peak pick up and drop off times.



## **Products and Services**

The Tree House of Early Learning provides high quality childcare in a creative, safe, and caring environment. We work to strengthen families to provide the best outcome for children in our care. We also provide after school care for older children.

Basic Day Care Service- Our full-service child care facility, will primarily cater to families with children who are infants to six years (pre-kindergarten).

School Age Program- School age programs supplement a family setting between school hours and home hours. A typical week of a school age program includes individual and group play; study assistance; and staff-organized arts and craft. We anticipate adding school age programs in year two. Parents can opt to purchase a healthy after-school snack from the center.

Summer Day Camps and Special Trips-In year three, we plan to add a series of half- and full-day trips for field trips, nature walks, library and zoo visits. Meals will be included. We intend to augment our permanent staff with contract (1099) employees.

Transportation-After several quarters of providing excellent day care and learning services, we may add limited transportation services to parents who reside in a certain defined area. We will be monitoring our competitors' prices, and we will be discussing liability mitigation with external counsel and insurance requirements with our insurance broker. We do not feel that it is imperative to offer transportation at this time so many parents already have automobiles, and therefore it is not included in our financial projections.

## **Competitors**

Currently the childcare industry is not only stable but growing. With lower unemployment rates comes parents returning to work and seeking childcare. Even in a slower economy childcare is always a necessity. There are only a handful of daycare center and preschools in the area and none currently offer both in a Reggio Emilia/Montessori setting except for The Tree House of Early Learning. We will also be seeking accreditation from the National Association for the Education of Young Children and will be the only center in the area who has done so. We are currently participating in the Links 2 Quality Program as well and are the only program in Montgomery County that is currently participating.

Our current top 3 competitors are-

1. Noah's Arkademy- a childcare center that does have an infant room. However because of the high demand for infant care it is always full. Also does not have a Reggio Emilia or Montessori based program.

2. Kidzone Daycare- a small childcare center in Independence that does not typically have any infant space available either.

3. Other in home daycares- There are a few in-home daycares in town but due to required ratios most don't take infants and if they do they can only take one or two.

Because we also provide preschool at our center and after school care we provide great continuity of care for our children and their families. We are currently at a convenient in

town location unlike some of our competitors and plan to continue to be once we grow to a larger center. There is currently very high demand for infant care in the area. We plan to provide infant care at our facility, this will help fill this gap and get families started at the center early in their child's life and help us keep them in the center as they grow older. This will also help families with older siblings at the daycare to be able to bring both of their children to the same daycare which will help us retain families long term.

## **Sourcing and Fulfillment**

We have already identified our director and will seek out experienced and qualified staff who we will then give additional training in areas such as Montessori teaching style, Reggio Emilia teaching, etc. while preparations are being made to move into the center based location. As the center expands, we will continue to attract and retain full-time and part-time child care professionals who are state-licensed, dedicated to continuing education and passionate about early-childhood development.

## **Technology**

The day care business is not a technology-intensive one; however, there are several “off-the-shelf” applications to assist in child scheduling, appointment and follow-up. Most are free, and cloud-based and easy to use from either a PC or a Mac. As conditions warrant, we may purchase a comprehensive sales management program. However, at the moment we have software and computers that meet our needs. For computer maintenance and troubleshooting, we use Tamisha's husband Ross Sewell as he is an I.T. Professional.

## **Customers and Market Analysis**

### **Market Overview**

According to the 2010 U.S. census, there were approximately 3,802 households in Independence with a population of approximately 8,730. We estimate about 20% of the households – or 760 households – have children in our target age range. In addition, we can expect to draw from other parts of Montgomery County as well as other nearby counties due to individuals commuting to (or through) Independence for work. With an average of 1.5 to 2 children each (2010 census), about 1,140 to 1,520 children. By year two, we plan on serving 25 to 40 children daily at our 2,800 square foot facility.

### **Market Needs**

Our research shown that there are no full-service, NAEYC accredited day care centers in Independence that are for ages 0-5 with after school care for school age children that are Montessori or Reggio Emilia based programs. Additionally, the preschools in the area are primarily half day programs which means parents often have to leave work during the day to pick up or drop off their child. With our full day program this is not an issue. We also have found that there is a huge need for infant care and for facilities that are large enough to take a families infant as well as their older children. This is a gap we plan to fill at our facility.

### **Market Trends**

With more and more studies pointing to the importance of high quality child care and early childhood education and its life long impact on children more parents are looking to find high quality childcare that will have a lasting impact on their children and their families. We have also found that many younger families are often looking for a preschool that is not tied directly to a church and this is another gap that we are able to fill. With more parents working there is also a rising need for childcare and parents want to make sure that they are taking their children to a high quality licensed and accredited facility.

### **Market Growth**

Independence is currently seeing new businesses open regularly and creating even more opportunity for growth in the area as well as new job opportunities which of course increase demands for childcare.

### **Industry Analysis**

In this case, we view the industry as the Independence-area day care business which we estimate serves about 760 area families. There are currently 2 daycare centers in Independence and a few in home daycares. There is also the Riley Early Learning Center Preschool but they do not offer other childcare services. Since the vast majority of these companies are privately-held, there is little financial data to analyze.



## **Threat of New Entrants**

The threat of new entrants varies depending on the type of facility and services being offered. "Home-based" providers who plan to offer some degree of day care for up to 9 children out of a residence need to complete state required early childhood education training; complete an orientation with the health department; complete a background check; request a temporary zoning change for their home from the city; then become licensed and pay necessary fees. The start-up costs are smaller for in home, and the owner could list her service on care.com and other places such as Google Business Pages and Facebook.

Full-service facilities like The Tree House of Early Learning who plan to trade on expert service quality and comprehensive and accredited education programs need a staff of trained and experienced teachers and caregivers who can develop a curriculum tailored by age group, and price and promote these programs and curricula to a target set of parents. The personal credentials and school accreditation often take more than a year to earn, thereby creating a barrier to entry, and the center must be able to attract experienced professionals away from other employers.

## **Bargaining Power of Suppliers**

In our case, suppliers refers to the supply of experienced child care professionals. This varies by market of course, as most child care professionals do not travel great distances for work. We are fortunate that Mrs.Sewell is highly-regarded in her field and part of a professional network of teachers and caregivers who can be recruited to The Tree House of Early Learning Center as our growth plans are realized.

## **Bargaining Power of Buyers**

There are thousands of parents in the Independence area, some of whom are quite cost-conscious, but many of whom are willing to pay a premium (say over \$150 per week) for a challenging, holistic learning environment and a modern and safe facility. We believe that as we educate and develop enduring relationships with their children, the bargaining power of the parents will diminish and they will become less price-sensitive.

## **Availability of Substitutes**

There are 2 other day care centers competing for child care dollars. In addition, there are in home providers and baby sitters ,creating a variety of child care substitutes. Therefore we must identify and target the subset of parents who value and will pay for our mix of professional experience, curriculum and location.

## **Competitive Rivalry**

We anticipate that both the 2 local centers and some home based providers will notice the new center but because of the need for childcare, especially, high quality accredited care and infant care there won't be a large loss of market share for them so rivalry shouldn't be an issue. We expect that quality providers will be able to maintain a market share without resorting to lowering prices in order to maintain share.

## **Key Customers**

According to the 2010 U.S. census, there were approximately 3,802 households in Independence with a population of approximately 8,730. We estimate about 20% of the households – or 760 households – have children in our target age range. In addition, we can expect to draw from other parts of Montgomery County as well as other nearby counties due to individuals commuting to (or through) Independence for work. With an average of 1.5 to 2 children each (2010 census), about 1,140 to 1,520 children. By year two, we plan on serving 25 to 40 children daily at our 2,800 square foot facility.

Fortunately we only need to serve 11 families to cover our fixed monthly operating costs and we already serve 9 at our smaller facility.

## **Marketing and Sales**

### **Overview**

The Tree House of Early Learning will market its day care and educational services through local advertising, online media, and “meet and greets” in the local community where parents are known to gather. We will also host a large open house event to celebrate our grand opening. We will reinforce our value proposition of best in class quality and safety.

### **Positioning**

As mentioned, there are other day care providers in the Independence area. Therefore, any new center needs a clear marketing strategy and a distinct value proposition.

Like all centers, The Tree House of Early Learning will target local working families, however, we intend to be competitive with other local caregivers. We believe that we can offer quality-oriented families, an higher quality of care and learning than other local non-accredited not Montessori/Reggio Emilia style caregivers. Specifically, our value proposition is based on:

- **High quality services**-Our professional training, experience, and curriculum exceed state standards. Our website will have a side-by-side “checkbox” comparison showing how we compare to state and to local competitors on quality.
- **Safety**-Obviously a parent’s primary concern is her child’s safety; this is of vital import and in business terms, we view this as a competitive advantage. Our safety directives and protocols have been designed to compare favorably to the best in class.
- **Local community minded childcare**- We chose to return to Independence because not only is it our hometown but it is also a wonderful community. We believe that as a local business it's important to participate in our community and help it grow. Not only will we create high quality childcare but we will also create jobs in the community and strive to improve it. Parents will feel good knowing this.
- **Location and Convenience**- Because we plan to be centrally located in Independence parents will not need to drive to the outside of town and then back in to take their children to our location.

### **Pricing**

Our pricing will be competitive with other local centers but we will be a higher quality center and our fees will be slightly higher than some but similar to others. We will also accept day-care subsidy which will help a wider variety of families be able to afford high quality care. We find that parents are looking for high quality care and will pay a little more for that quality.

By visiting <https://www.care.com/cost-of-childcare> you can do a quick search to see what the average childcare cost is for the area. Currently the average rates are-

- Infant (0-1 year)- \$150
- Toddler (1-2 year)- \$141

- Preschool (2-4 years)- \$138
- Pre-K (4-5 years)- \$129

We plan to align with these averages while creating a higher quality of care. We will also participate in grant programs such as the Links to Quality program to help cover costs related to providing a higher quality of care.

## **Promotion**

We intend to promote our center and our unique value proposition on an ongoing (internet platforms) and periodic basis.

Internet marketing- Due to our owner's experience and training in internet marketing this is the centerpiece of our promotion strategy. Even though The Tree House of Early Learning has started as an in home facility it still comes up first in Google searches for daycare in Independence. It consists of a well-designed, professional website that is informative, customer-oriented and “sells” the center, reinforcing our value proposition of quality, price and convenience. Our website and Facebook have a very professional look and costs very little due to Mrs.Sewell's design and website experience. This will set us apart from other, local centers who rely on a simple basic listing on Care.com. Additionally, we will advertise on other local websites, who will link to our site.

Referrals- Generally, the most valuable form of promotion comes from your customers. Especially when it regards a critical decision like care for a family member. We will use a proven referral engine like ReferralCandy.com to bring us qualified leads starting in year two if necessary.

Local family event sponsorships- Part of what makes Independence unique is its wide variety of family friendly activities. These are a perfect opportunity to market The Tree House of Early Learning in the local community through volunteering at and sponsoring these local events.

## **Distribution**

Our services will be based out of a modern, clean and safe facility in Independence. No additional distribution is required, although, as mentioned, we may offer a transportation service.

## **Strategies and Implementation**

### **Milestones**

*Please note that these milestones are in relation to our start as an expanded childcare center not to our in home program which started approximately 4 years ago.*

#### Year 1, Month 1

We will locate and begin the process of purchasing land for the Center.

#### Year 1, Month 3 (earlier if possible)

We will begin working with local construction company Lowry Construction to have official plans created and begin attaining permits. Will also choose playground equipment company and equipment

#### Year 1, Months 3-6

Construct and complete new childcare facility and outdoor space. Playground equipment will also be installed during this time.

During construction we will begin heavy marketing of our new facility as well as find qualified staff for our location.

#### Year 1, Month 7

Complete transition of current location into new center location filling our first classroom with current students.

#### Year 1, Month 8

Fill infant room and begin filling other classrooms.

#### Year 1, Month 10

Have center at  $\frac{3}{4}$  full and have positive cash flow.

#### Year 1, Month 11

We will begin the process to become a NAEYC accredited center.

## SWOT Analysis

<b>Strengths</b> <ul style="list-style-type: none"><li>• Our daycare is well known and respected.</li><li>• We offer high quality services</li><li>• We have excellent online marketing experience.</li><li>• We are connected to our community.</li></ul>	<b>Weaknesses</b> <ul style="list-style-type: none"><li>• Being home based our current customer base is smaller than an established center.</li><li>• Our prices are higher than some of our competition.</li><li>• It will take time for us to build our new facility.</li></ul>
<b>Opportunities</b> <ul style="list-style-type: none"><li>• Growing base of local families as well as those in surrounding communities.</li><li>• Lack of infant care available in the area.</li><li>• Growing understanding of the importance of early childhood education.</li></ul>	<b>Threats</b> <ul style="list-style-type: none"><li>• Other centers may lower prices</li><li>• Other centers may begin marketing themselves more as a result of us starting a center.</li></ul>

## Competitive Advantages

We believe that our center will succeed for the following reasons:

- High quality services- Our professional training, experience, and curriculum exceed state standards, and are equivalent to the national chains. We will invest in continuing education for our staff.
- Safety- Our safety directives and protocols have been designed to compare favorably to the best in class (generally accepted as KinderCare's or La Petite's)
- Local care and knowledge that the national brands can't match-We will continue to remind our customers that, as a local, woman-owned business we are from this area's schools and communities, and can serve as local experts in child care and development. We believe that most parents prefer to patronize local merchants who are involved in their community.
- Location and Convenience- We will be centrally located in Independence making it easy for parents in town and the surrounding area to get to the center on a daily basis saving them time and gas money.
- Montessori/Reggio Emilia Curriculum- We will offer a curriculum that is unique in the area that combines the best from both the Montessori and Reggio Emilia teaching styles.
- Accreditation- We will be the only center in the area accredited by the National Association for the Education of Young Children.

## Strategic Alliances

The Tree House of Early Learning is a member of the Independence Chamber of Commerce as well as Independence Main Street. Mrs. Sewell is also a member of other local organizations that we can align with to promote our services throughout the area.

## Financial Plan

### Sales Forecast

Sales Forecast Table			
	Year 1	Year 2	Year 3
<b>Unit Sales</b>			
Infant Services	364	364	364
Toddler Services	260	364	364
2s/3s Services	364	364	364
Preschool Services	260	312	364
After school Services	208	260	364
<b>Price Per Unit</b>			
Infant Services	\$150.00	\$150.00	\$150.00
Toddler Services	\$140.00	\$140.00	\$140.00
2s/3s Services	\$135.00	\$135.00	\$135.00
Preschool Services	\$125.00	\$125.00	\$125.00
After School Services	\$40.00	\$40.00	\$40.00
<b>Sales</b>			
Infant Services	\$54,600.00	\$54,600.00	\$54,600.00
Toddler Services	\$36,400.00	\$50,960.00	\$50,960.00
2s/3s Services	\$49,140.00	\$49,140.00	\$49,140.00
Preschool Services	\$32,500.00	\$39,000.00	\$45,500.00
After School Services	\$8,320.00	\$10,400.00	\$14,560.00
<b>Total Sales</b>	<b>\$180,960.00</b>	<b>\$204,100.00</b>	<b>\$214,760.00</b>

### Personnel Plan

Personnel Table			
	Year 1	Year 2	Year 3
Infant Teacher	\$19,240.00	\$19,760.00	\$20,280.00
Infant Assistant/Floater	\$19,240.00	\$19,760.00	\$20,280.00
Toddler Teacher	\$19,760.00	\$20,280.00	\$21,320.00
2s/3s Teacher	\$19,760.00	\$20,280.00	\$21,320.00
Preschool Teacher	\$20,280.00	\$20,800.00	\$22,360.00
<b>Total Salaries</b>	<b>\$98,280.00</b>	<b>\$100,880.00</b>	<b>\$105,560.00</b>

## Budget

Budget Table			
	Year 1	Year 2	Year 3
<b>Expenses</b>			
Salaries	\$98,280.00	\$100,880.00	\$105,560.00
Employee Related Expenses	\$1,000.00	\$1,000.00	\$1,000.00
Business Loan/Mortgage	\$22,800.00	\$22,800.00	\$22,800.00
Furnishings	\$0 (included in startup loan cost)	\$500.00	\$500.00
Playground Equipment and Toys	\$0 (included in startup loan cost)	\$1,000.00	\$1,000.00
Website	\$56.00	\$56.00	\$56.00
Security Cameras/Cloud Service	\$550.00	\$150.00	\$150.00
Advertising	\$1,000.00	\$500.00	\$500.00
<b>Total Expenses</b>	<b>\$123,686.00</b>	<b>\$126,886.00</b>	<b>\$126,886.00</b>



## Financial Statements

<b>Profit and Loss Statement Table</b>			
	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
<b>Revenue</b>	<b>\$180,960.00</b>	<b>\$204,100.00</b>	<b>\$214,760.00</b>
<b>Direct Cost</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>
Gross Profit	\$180,960.00	\$204,100.00	\$214,760.00
<b>Gross Profit %</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>
<b>Operating Expenses</b>			
Salary	\$98,280.00	\$100,880.00	\$105,560.00
Employee Related Expenses	\$1,000.00	\$1,000.00	\$1,000.00
Loan/Mortgage Expense	\$22,800.00	\$22,800.00	\$22,800.00
Utilities	\$5,700.00	\$5,700.00	\$5,700.00
Repairs and Maintenance	\$500.00	\$500.00	\$500.00
Advertising and Promotion	\$1,000.00	\$500.00	\$500.00
<b>Total Operating Expenses</b>	<b>\$129,280.00</b>	<b>\$131,380.00</b>	<b>\$136,060.00</b>
<b>Net Income</b>	<b>\$51,680.00</b>	<b>\$72,720.00</b>	<b>\$78,700.00</b>
<b>Net Income/Sales</b>	<b>29.00%</b>	<b>36.00%</b>	<b>37.00%</b>