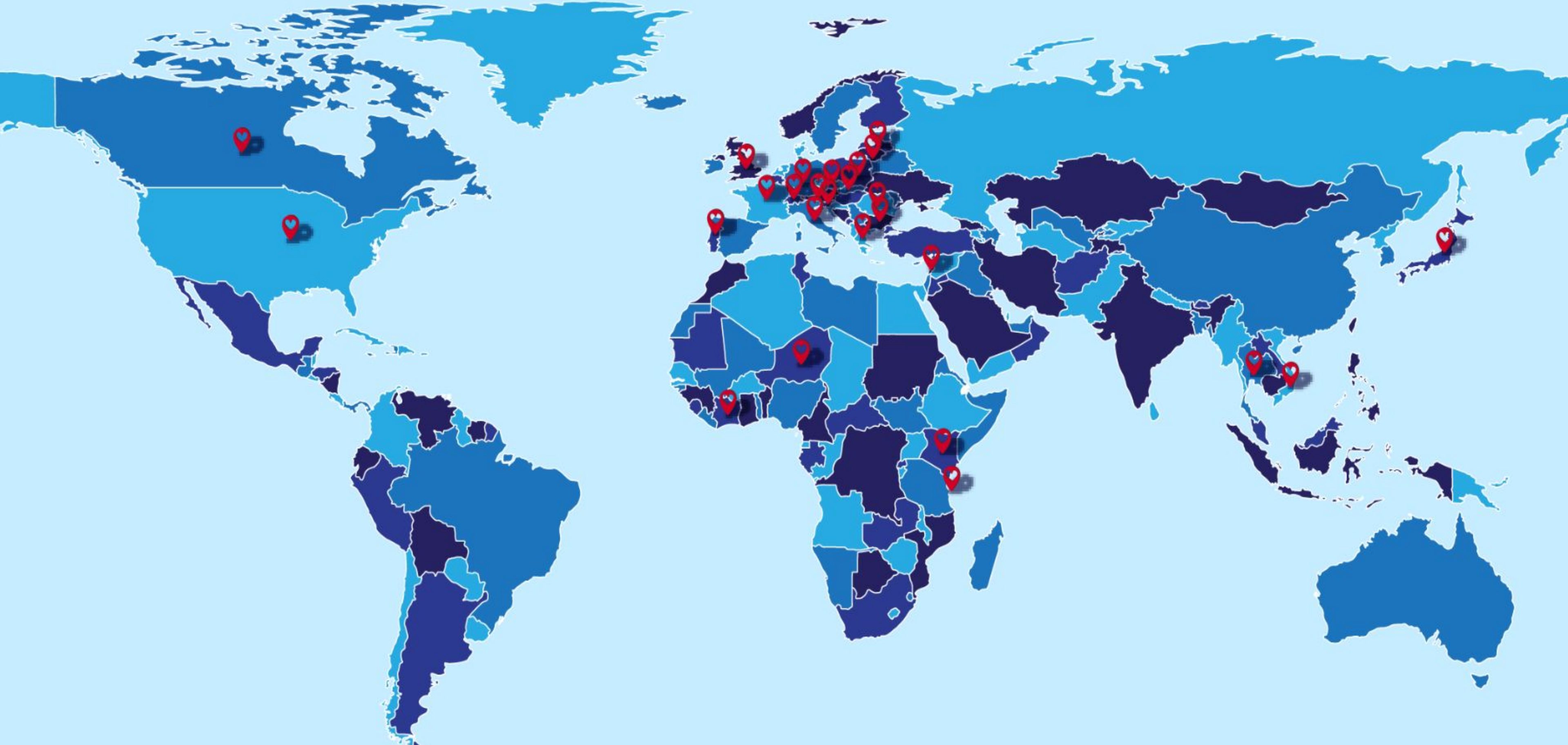
5 Steps to Mastering Your Montessori Finances

MONTESSORI MARKETING & BUSINESS ACADEMY

WELCOME !

- ✔ Let me know: Where you are joining from?
- ✔ Let me know: What is your role in Montessori?
- ✔ On a scale from 1 to 5: How much under control do you have your Montessori finances?

MONTESSORI ENTREPRENEURS JOINED THE MONTESSORI MBA FROM ALL OVER THE WORLD!



THE GOAL OF TODAY

- We Montessorians need to improve our business skills.
- I have these skills.
- I've spent the last 20 years figuring out how to run a successful non-profit organization.
- I started and I run a successful business too.
- I am a self-taught Montessori entrepreneur.
- I will share that with you.

THE GOAL OF TODAY

- ❑ "We struggle."
- ❑ "We cannot find teachers because we pay so low."
- ❑ "We don't have enough enrolment, but we can't increase our fees."
- ❑ "It is like running in a circle. Our financial situation will never get better."
- ❑ "I am so tired of the financial stress. It makes me sick."

THE GOAL OF TODAY

- TAKE IMMEDIATE CONTROL OF YOUR MONTESSORI FINANCES!

- Get rid of the scarecrow!
- Start managing instead of hoping!

YOU ARE IN THE RIGHT PLACE

- Is your organization financially stable?
- Would you like to make a profit?
- Do you have a salary for your Montessori work?
- Do you feel you are paid well for your Montessori work?
- Is your organization saving money to create a financial security for the future?
- Do you feel you have a very good understanding of your organization’s finances?
- Are you actively managing your finances?
- Would you like to increase your fees?
- Do you need to increase your fees (regardless of what you offer)?

YOU ARE IN THE RIGHT PLACE

- WHAT IS YOUR MONEY GOAL IN YOUR MONTESSORI PROGRAM?

Said in different words:

- What is your financial goal?

YOU ARE IN THE RIGHT PLACE

"I want to make an impact but at the same time I need to bring food home."

"I want Montessori accessible, but if we keep our fees this low, we can't keep going."

"We just want to pay for our costs and pay our staff."

"We don't want to make profit but we don't know how to do Montessori without money."

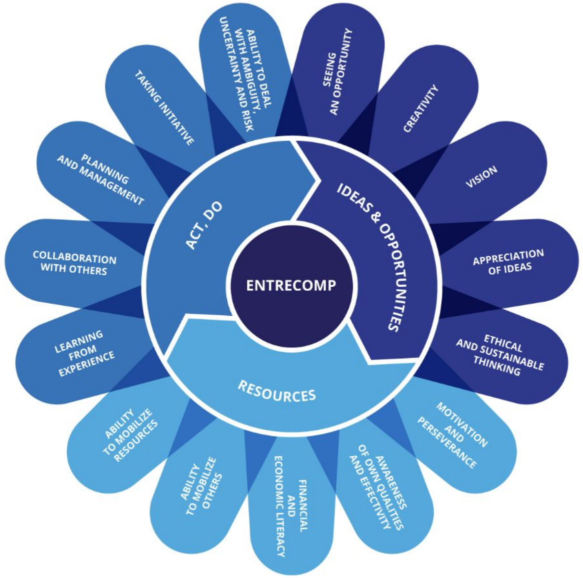
"Montessori should be accessible. It should not be expensive."

"We need to make Montessori accessible to everyone, not just for people who can pay."

THE PROBLEM

- IS AN OPPORTUNITY!

Entrepreneurial Competencies Flower Diagram



THE PROBLEMS

- Too much focus on mission leads to blindness
- We are teachers, we lack business knowledge
- We want to change the world, not be double managers
- Our servant mindsets are in the way of business models
- It is extremely hard for us to put a fair price on our programs
- We hope instead of actively financially managing.

THE PROMISE

Good news!

There are 5 things you need to know and be able to do to actively manage your money!

- Budgeting and Income & Expense Tracking
- Cash Flow Projecting
- Setting Your Price
- Creating a Diverse Income Portfolio
- Reducing Your Expense

In the Montessori MBA

We also need to change our relationship in money.

How? When? Where? With Whom?

Montessori MARKETING & BUSINESS Academy

- Learn how to create your business model even if you want to be a non-profit organization
- Figure out how to generate your first income
- Discover how to do marketing
- Learn how to make money and how to raise funds
- Master financial management.

Step 1 To Financial Mastery: BUDGETING

- ✔ Creating a reliable budget is Step 1 To Financial Mastery
- ✔ It is easier than it looks
- ✔ Follow this formula:
  - ✔ In an excel table list all costs you know you will have in the next 12 months (or in any other budget period, you can also create a budget for one event in particular)
  - ✔ In the same table list all the income you plan to have in the same period or for the same project
  - ✔ Include 15% of the overall expense sum for “other costs”

Step 1 To Financial Mastery: BUDGETING

- ✔ An example of a 12 months budget:

BUDGET - 2025

INCOME (TOTAL)	0.00	EXPENSES (TOTAL)	0.00	PROFIT	0.00

INCOME													
INCOME	TOTAL INCOME	MONTH 1	MONTH 2	MONTH 3	MONTH 4	MONTH 5	MONTH 6	MONTH 7	MONTH 8	MONTH 9	MONTH 10	MONTH 11	MONTH 12
TOTAL INCOME	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

EXPENSES													
EXPENSES	TOTAL EXPENSES	MONTH 1	MONTH 2	MONTH 3	MONTH 4	MONTH 5	MONTH 6	MONTH 7	MONTH 8	MONTH 9	MONTH 10	MONTH 11	MONTH 12
TOTAL EXPENSES	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

BALANCE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Step 1 To Financial Mastery: BUDGETING

- ✔ An example of “people” budget:

PEOPLE - 2025

TOTAL SALARIES	0.00

TOTAL CONTRACTORS	0.00

EXPENSES

Job Postition (Employees)	NAME OF THE PERSON	Salary per Month	No.of Months	Total
TOTAL SALARIES		0.00		0.00

Contractors	NAME OF THE PERSON	Cost per Month	No.of Months	Total
TOTAL CONTRACTORS		0.00		0.00

Step 1 To Financial Mastery: BUDGETING

- ✔ An example of usual budget items
- ✔ Items in the budget differ based on what the budget is for
- ✔ Erasmus grants, School budget, Online Course budget, Consulting service budget
- ✔ Link to the template

Expense Items
Facility
Utilities - electricity, gas, water
Repairs, renovations
Insurance
Cleaning
Services - internet, telephone
IT services
Telephone
Equipment - furniture
Equipment - classroom
Equipment - office
General supplies - stationery
General supplies - cleaning
Hardware - computers, tablets, technology, cables
Software - accounting system, SIS, CMS, emailing, banking
Sofware - team, project management, CRM
Marketing - website
Marketing - flyers, brochures
Marketing - advertising
Accounting services
Legal services
Insurance
Taxes
Emergency fund

Step 1 To Financial Mastery: BUDGETING

- ✔ Useful tips for solid budgeting:
  - ✔ Always put higher prices than what they are in reality
  - ✔ If you run one-year long budgets, remember to include % for increase of inflation
  - ✔ Have a line for creating of an emergency fund
  - ✔ Include investment into growth
  - ✔ Include profit
  - ✔ Spread taxes over the length of time for which you are creating your budget and either send advance payments or create a tax bank account and send an appropriate portion there every month

Step 1 To Financial Mastery: BUDGETING

- ✔ Do you have a budget like this for your organization?

1 = YES

2 = NO

Why not?

Do you have any questions about budgeting?

Step 1 To Financial Mastery: Income&Expense

- ✔ Track each coin which comes
- ✔ Track each coin which leaves
- ✔ Regularly, ideally weekly (monthly at worse)
- ✔ Set aside regular time to do this and never touch the time slot
- ✔ How is Income & Expense Tracking different from Budgeting?
    - ✔ Budget is a plan
    - ✔ Income and Expense Tracking is your record of what you spent and how you made your income
    - ✔ It is also categorization of your expense and income

Step 1 To Financial Mastery: Income&Expense

- ✔ Example how we do the I & E Tracking

Step 1 To Financial Mastery: Income&Expense

- ✔ We track:
  - ✔ The date when the money was spent,
  - ✔ What it was spent for,
  - ✔ Where it was spent,
  - ✔ Amount,
  - ✔ What was the expense in relation to (for example 0-3, 3-6.., or a particular event)
  - ✔ We always scan the receipt, upload it to Google drive and link the receipt to the item in the table
  - ✔ You also may keep a record of who approved the expense if you are a bigger organization.

Step 1 To Financial Mastery: Income&Expense

- You can have different projects or accounts which you track:
  - Assign each item spent and received to the particular “project”.
  - To see what is the cost of each of your programs and what is the income. This will give you data for financial management.
  - You will be able to decide what you want to do more of because it makes more money and what to do less of because it costs more money.
  - You also need to see what your general operational expense – overhead - is.
  - Clarity in which expenses are related to a particular grant or a gift you received. This will allow you to report to your grant funders and donors transparently.
  - We also track income categories.

Step 1 To Financial Mastery: Income&Expense

- ✔ Tracking income:
  - ✔ Tuition,
  - ✔ Fees,
  - ✔ Sales of goods,
  - ✔ Grants,
  - ✔ Funds from grants,
  - ✔ Funds from donors,
  - ✔ Money from fundraisers,
  - ✔ Government subsidies, etc.

This will help you pinpoint what streams of income are most reliable for you.

Step 1 To Financial Mastery: Income&Expense

- ✔ Are you tracking your income and expenses?

1 = YES

2 = NO

Why not?

Questions related to Income & Expense Tracking?

Step 2 To Financial Mastery: CASHFLOW

- ✔ Cash is the lifeblood of your business / non-profit / school.
- ✔ If you don't have a firm handle on your cash flow, you can get into a lot of trouble.
- ✔ You need to know what cash flow is, how to use it and how to analyse it.
- ✔ What is cash flow?
  - ✔ Projection of movement of money in and out of your company or organization,
  - ✔ Over a certain period of time, usually one calendar or one school year,
  - ✔ In an excel table.

Step 2 To Financial Mastery: CASHFLOW

✔ How to project cash flow?

Start with your beginning balance (BB)

- Begin with the current bank balance on the day you create your cash flow projection.
- This is your beginning balance (BB).

Step 2 To Financial Mastery: CASHFLOW

✔ How to project cash flow?

List expected income (EI)

- Identify and list all the income you expect for the upcoming month, such as:
  - Tuition fees
  - Grants or subsidies
  - Sales of products or services (e.g., events, fundraisers)
  - Donations
  - Other income streams
  - Sum these up to get your total income (TEI).

Step 2 To Financial Mastery: CASHFLOW

✔ How to project cash flow?

List expected expense (EE)

- Next, list all the payments you expect to make in the upcoming month, such as:
  - Salaries and wages
  - Rent or mortgage payments
  - Utilities (electricity, water, internet)
  - Classroom materials and supplies
  - Administrative expenses (insurance, software, etc.)
  - Loan payments (if applicable)
- Sum these up to get your total expense (TEE).

Step 2 To Financial Mastery: CASHFLOW

✔ How to project cash flow?

Calculate your cash flow

- Use the following formula to calculate your cash flow for the month:

Cash Flow {CF} =
Beginning Balance {BB} +
Total Expected Income {TEI} - Total Expected Expense {TEE}

- This will give you an idea of how much cash you will have at the end of the month / year.

Step 2 To Financial Mastery: CASHFLOW

✔ How to project cash flow?

Calculate your cash flow

- Use the following formula to calculate your cash flow for the month:

Cash Flow {CF} =
Beginning Balance {BB} +
Total Expected Income {TEI} - Total Expected Expense {TEE}

- This will give you an idea of how much cash you will have at the end of each month.

Step 2 To Financial Mastery: CASHFLOW

- Other tips:
  - Be as realistic as possible with your projections. Sometimes, income may not come in as expected (e.g., late tuition payments). Often unexpected expenses occur.
  - Cash flow tracking should be done regularly so that you can identify any potential problems early on and can think of solutions.
  - It's a good practice to create a reserve fund in case income is lower than planned. Reserve fund is better than having to take an operational loan.
  - Remember that positive cash flow doesn't mean you're making a profit. Cash flow is about the timing of money coming in and going out and having enough money to pay your bills. Profit is about whether your revenue exceeds your costs.

Step 2 To Financial Mastery: CASHFLOW

- ✔ What does cash flow show you?
  - ✔ Cash flow is the single best indicator of your financial health, not accounting
  - ✔ You know in real time how much you have available at your bank account versus how much you need to pay
  - ✔ It tells you if you can pay your bills when you are supposed to pay them
  - ✔ When you know your actual income and expense, you can compare it with your financial plan – budget
  - ✔ Only with this information you can actively manage your money.

Step 2 To Financial Mastery: CASHFLOW

- What can you do to improve your cash flow?
  - Issue invoices promptly after service was provided, in case of schools you can issue invoices before
  - Issue invoices with a short term payment period (ideally 7 days)
  - Pay your invoices only before their due date, not right away
  - Very carefully control that all invoices issued are paid to you, do not tolerate unpaid invoices
  - Set a policy for penalties for late payments, inform your clients about it and charge it
  - If you know that in your year there are very low and very high periods, get an operating loan to help you deal with seasonal fluctuations.

Step 2 To Financial Mastery: CASHFLOW

- ✔ Do you do cash flow projections?

  1 = yes

  2 = no

- ✔ Do you use it for financial management?

  1 = yes

  2 = no

  If not, why?

Step 3 To Financial Mastery: PRICE SETTING

- This is my favourite topic.
- And I bet your least favourite.
- This is when we get to talk about the value of our work and our ability to put a fair price on it.
- Setting a price is one of the hardest things we Montessori entrepreneurs face.
- We work with all kinds of people. Some can pay, some cannot.
- How do we set our price so that it covers our cost and fairly reflects the value of our work and at the same time, how do we make Montessori accessible to people?

Step 3 To Financial Mastery: PRICE SETTING

- ✔ Before we delve into the work, I have a question for you.
- ✔ Are you charging enough?

1 = Yes

2 = No

Step 3 To Financial Mastery: PRICE SETTING

Businesses most often use the following pricing formula:

PRICE = COST + PROFIT

- ✔ The cost includes all that it costs you to provide your service, including rent, material costs, insurance, creating a reserve fund, and your salary.
- ✔ The profit you want to make should allow you to develop your services and staff, to buy new equipment you may need for starting a new class, and anything else you know you will need to pay for to lead your company or non-profit to a place of sustainability and thriving.

Step 3 To Financial Mastery: PRICE SETTING

Other things you need to consider:

- Research your competitors, what services they offer and what it is they charge. This will give you an idea on the price range for similar services to yours.
- The price you decide for should reflect the value of your service to your clients. You have to consider how much what you offer is worth to them. This is called perceived value.

Step 3 To Financial Mastery: PRICE SETTING

Other things you need to consider:

- Consider that the price you will charge for your services will in a way attract its own target market. If you serve affluent clients, you cannot charge low, they will not buy from you. If you serve middle income families, the price also has to reflect that.
- If you serve clients who cannot pay, you still need to know the value of your service to find the right donors or grant funders. They will want to know this also.
- Last and not least, the price you charge also needs to reflect the value you yourself assign to your service. Be sure not to underestimate yourself. Be fair to yourself and tell yourself how much you value your service.

Step 3 To Financial Mastery: PRICE SETTING

Your price matters not only because it will ultimately have an effect on your outcomes.

Your price also matters because:

- It will shape your reputation on the market
- It speaks about your quality
- And it will affect the loyalty of your clients.

Step 3 To Financial Mastery: PRICE SETTING

There are different types of pricing strategies. For us in Montessori the following are relevant:

- Cost plus pricing - the one I described above
- Value pricing - how much are your clients willing to pay
- Competitive pricing - you would charge a little less than your competitors
- High end pricing - the price reflects that you are offering a premium service to some of your clients, for example my mastermind program
- Economy pricing - low price and large amount of sales
- Bundle pricing - bundling up a package of services or products
- Dynamic pricing - people who have more money pay more, people with less income pay less.

Step 3 To Financial Mastery: PRICE SETTING

Other tips for pricing of Montessori services:

- We charge a flat monthly school fee for 5 full days a week. We do not allow children to come for less days or for shorter periods.
- We do not refund money if children do not come due to illness.
- This is a policy set for the stability of our programs and if clients are not happy about it, we do not welcome them.
- If you provide payment plans - in our training center we do - make sure that the whole fee is payable before half of the program has been delivered.
- There has to be a contract for any kind of service signed in writing. You can use Docusign.
- Think through your discount policy. It has to be transparent and available to all to access.
- Be careful about handing out employee discounts. It is hard to have employees as parents in your school or employees as clients.

Step 3 To Financial Mastery: PRICE SETTING

- ✔ Setting the right price for your service is an art.
- ✔ It is deeply connected with the value you assign to yourself and your service.
- ✔ My recommendation is to focus on inner work related to money and mindset before any major pricing decisions are made.

Step 3 To Financial Mastery: PRICE SETTING

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Step 4 To Financial Mastery: DIVERSE INCOME

- Depending on one stream of income is tricky, and this goes for non-profit organizations, schools, but also businesses.
- The single most important success factor for Montessori Institute Prague is that we have a diverse portfolio of services and a diverse portfolio of income.

Step 4 To Financial Mastery: DIVERSE INCOME

- We have a non-profit organization and a business which mutually support each other over time
- We always plan our activities and services with the impact and income formula in mind
- The activity has to pay for itself
- It has to lead to development for us
- It has to create a positive impact on our community and lead to achieving our goals

Step 4 To Financial Mastery: DIVERSE INCOME

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Step 4 To Financial Mastery: DIVERSE INCOME

- ✔ You always need to think about the business model, it does not matter if you are a non-profit, a school, a program or a business.
- ✔ You need to know how you will make money or where you will get money for the service you want to provide.
- ✔ You need to think about how you will reach financial sustainability and decide on a strategy.
- ✔ Some tips for strategies leading to financial success and sustainability

Step 5 To Financial Mastery: COST REDUCTION

- ✔ You first and foremost need to know your numbers

Your budget

Your income and expense

Your cashflow

- ✔ Only when you know your numbers, can you think about where to save in a systematic way.

Step 5 To Financial Mastery: COST REDUCTION

Automate where possible

- ✔ Do you use Docusign for parents to sign their yearly contracts and for your other clients?
- ✔ Do you use digital tools for communicating with your team?
- ✔ Slack
- ✔ Google drive
- ✔ Asana, Trello for project management?
- ✔ Do you use classroom management software?
- ✔ Do you use client management software?

Step 5 To Financial Mastery: COST REDUCTION

- ✔ Go paperless.
- ✔ Audit your bank statements for payments for various apps and online services - for the fees that are automatically charged to your card. You may find out you are paying for services which you no longer use.
- ✔ Optimize cost for these services by creating a shared office@ account for things like Canva, Capcut, Streamyard and so on. You do not need one account for each team member. You can share accounts.

Step 5 To Financial Mastery: COST REDUCTION

- ✔ Always look for where money is being wasted and save there.
- ✔ Save electricity, water and energy. This is an issue especially in schools.
- ✔ Establish an inventory management system. Keep track of what you own. When you lend things to people, keep track.
- ✔ When you need to buy something, always ask. Someone may have a spare piece at home (vacuum cleaner, printer, computer..)

Step 5 To Financial Mastery: COST REDUCTION

- ✔ Always optimize the school schedule and the staff you hired. Many schools have a very high adult per child ratio.
- ✔ Use parents as volunteers.
- ✔ Have good insurance - liability, health, legal.
- ✔ Maintenance over repair.

General tips for financial management

- ✔ Set up good financial management habits
- ✔ There is a difference between financial tracking and financial management
- ✔ If you do both jobs, separate the time when you do this, and plan to find someone to do the tracking soon
- ✔ Do both regularly and never skip it
- ✔ Measure expenditures and return on investment to decide which activities make sense for the financial perspective and which do not
- ✔ Learn how to plan ahead
- ✔ Breaking even is not enough!
- ✔ Non-profits should make profit!

General tips for financial management

- ✔ Running a nonprofit is like parenthood. It is the hardest job of all.
- ✔ Separate your personal and business finances
- ✔ Your business needs to have a separate bank account and a payment card
- ✔ Pay yourself a regular salary
- ✔ Your accountant cannot be your financial manager
- ✔ Do not be afraid of loans if you need a cash flow boost, but only take a loan if you know you will earn the money to pay back
- ✔ Think through your billing strategy in connection to your cash flow

One Big Truth For The End

Thriving Montessori / non-profit organizations / schools are the best run businesses around!