

March



Valuation Pulse

**Practice Management**  
**How to Increase the Value of your**  
**Nursery School**

ONYX PARTNERS GROUP

## Time for School: How to Increase the Value of your Nursery School

Our country is led by some of the greatest minds and in the world. From inventors, to innovators. From inspirational leaders to battle tested warriors. Each of these individuals share a similar or common bond. They all at one point in their lives played with blocks and learned how to count in a nursery school!

Nursery schools are pre-school institutions that are designed for children ages three and four years old. Nursery schools are often considered the first exposure to learning. Nursery schools are referred to as the “Building Blocks of Our Future”. Pre-schools may also lead our children to the building blocks of potential higher learning. These institutions provide programs where children learn how to read, begin counting, drawing, and playing with other children. Nursery schools are funded either by private funding – *households paying the enrollment fees*, publicly – *local and federal funds*, or a combination of the two.

For decades, nursery schools across the country have provided a very valuable resource for working parents. For this resource to continue providing the fruits of greatness, nursery schools need to be able to be innovative, creative,

and most importantly, maintain an extremely nurturing environment for learning.

In this month’s newsletter, we will do a deep dive into how to run a profitable nursery school, in addition, offer ideas to help run an efficient school and increase the value of your business.

Owning a nursery school has not been as profitable over the last few years mainly due to the economy coming out of a recession. The

National Institute for Early Education Research estimates that the 2011 to 2012 school year saw the largest decline in preschool enrollment in over a decade. Since then, enrollment has risen but has stayed below the record levels that it once had during the school year of 2010 to 2011.



Early learning institutions received a boost in 2013 from the White House. During President Obama’s State of the Union address, the President vowed to secure a multibillion dollar investment, in the long term, to make preschool education accessible to all American children. The President’s speech motivated several corporations, philanthropist and others to invest in preschools. Seeing the enormous amount of outpouring by such individuals I am often reminded of a quote, “Ordinary people seek

entertainment. Extraordinary people seek education and learning – Benjamin Harden” Since President Obama’s speech, there has been a commitment of \$1 Billion to nursery schools, all of which comes from existing public funds.

With liquidity in the market for growing nursery schools, it is up to the director of these institutions to seek these resources and implement these funds to take preschools to the next level. Whether you are in the process of

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growing your current nursery school or contemplating entering the pre-school industry, there are a variety of things you should consider.

As a valuation expert, I am often asked to offer insights to directors of preschools on what works with other nursery schools. For starters, I rely on three points – Demographic – Enrollment Fees – Revenue Streams.

## Enrollment

Four-year-old children are the primary demographic enrolled in nursery schools, followed by three-year-olds. As the number of births rise, so does the number of enrollments in the industry establishments. Surveying your local area for new born up to age three and making your establishment known, will begin planting the seed for a future destination for their three and four-year-olds.

## Enrollment Fees

Statistically speaking, about a quarter of pre school children live in poor households. This places a greater burden on the government and stretches thin the resources for this industry. How closely do you monitor trends in the per capita disposable income in your geographic area? Do you offer products for families with a wide range of disposable income levels? These are questions that can separate you from your competitors.

## Revenue Streams

Over half the funding for nursery schools in the United States, comes from federal or state resources. Therefore, government consumption and investments boost industry revenue and helps nursery schools expand preschool provisions. These provisions can expand and assist your school enhance the school technology for learning, books and hiring more experienced and qualified teachers. These items are considered goodwill and can increase the value of your pre-school as well as assist in increasing enrollment.

For more information on how to value your nursery school or provide a valuation on a purchase, reach out to Onyx Partners Group for a valuation consultation at [info@opgbv.com](mailto:info@opgbv.com) or call 973-902-7828 and speak with a valuation expert. 



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