



### #3 Becoming a Small Business

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## Module 3– Becoming a Small Business

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# Becoming a Small Business

***“By failing to prepare, you are preparing to fail.” - Benjamin Franklin***

## Introduction

Becoming a business owner may be different than anything you have ever done. You will move from working as an employee to becoming your own boss. Many responsibilities and stressors come with this new adventure. Building a successful business takes a lot of time, hard work, and perseverance.

## Learning Objectives

At the end of this module, you will be able to:

- Discuss the key points of developing a business plan
- Describe the importance of financial feasibility
- Explain the value of keeping neat and accurate records
- Identify pricing strategies
- Determine the amount of liability insurance you need

## What Do You Know?

True or False

1. A vision statement describes how you want people to feel when they interact with your company
2. You will need money for startup costs
3. You don't need to separate your personal accounts from your business accounts

## Business Planning

VIDEO: [10 Tips for Starting Your Own Business](#) (4:28)

Would you take a journey without knowing where you are going and how to get there? Whether you are using MapQuest to drive across town or across the country, you might eventually get to your destination, but having a roadmap will greatly increase your chances of success.

Your business plan is your roadmap for business success, it explains:

- Who you are
- What you do
- How you do it
- Where you operate
- How you will generate profits
- Who your customers are
- Why your business is important



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Simply put, your business plan will answer the following questions:

- What is the business opportunity?
- How will you pursue that opportunity?
  - Who is your ideal resident? How do you plan to find them and acquire their business?
- How much money can you reasonably and realistically expect to make?
  - Startup Costs: How much money do you need to get started?
  - Break Even: How much do you need to sell to cover your startup costs, expenses and make a profit?
  - Cash Flow: Will you have income to cover your costs?
  - Capital: How much money will you need to pay your bills until you break even? Your money or someone else's?

***Your business plan will never be perfect. In fact, it will never be finished!***

Your plan is a living breathing document. Plan to:

- Always keep it available and refer to it often
- Compare your actual results against the results you projected
- Modify and fine tune the plan to reflect your experiences
- Change it to serve different purposes
- Update it every 6 months

A business plan is important because it tells others that you have really thought about and planned the business. It's a necessary part of any loan or grant application. It helps you gain support by showing that you are serious, determined, and have a plan for success. A good business plan follows a step-by-step process that not only allows you to plan and research all aspects of your business, but also to explain your goals and plans to others.

Consider the information called for in each section of the plan. As you begin to gather information, organize that information under the appropriate section of your business plan.

The business plan format and descriptions below are adapted from the [U.S. Small Business Administration](#). When you write your business plan, use the sections that make the most sense for your business and your needs. Traditional business plans use some combination of these nine sections.

### **Executive Summary**

Briefly tell your reader what your company is and why it will be successful. Introduce the opportunity that you and your business will provide. Include your **mission statement** and **vision**. Describe your service, and basic information about your business, your leadership team, employees, and location. Aim to convey trust in your winning model, and they should invest their time and money.

You should also include financial information and high-level growth plans if you plan to ask for financing.

### **Company Description**

Use your business description to provide detailed information about your adult family home. Go into detail about the problems your business solves. Be specific, and list out the consumers, organizations, or businesses your AFH plans to serve.

### **Market Analysis**

You'll need a good understanding of your industry outlook and target market.

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### Organization and Management

Tell your reader how your business will be structured and who will run it. Describe the [legal structure](#) of your business.

### Service

Describe what service you offer. Explain how it benefits your customers.

### Marketing and Sales

There's no single way to approach a marketing strategy. Your strategy should evolve and change to fit your unique needs. Your goal in this section is to describe how you'll attract and retain customers.

We will cover marketing strategies in more detail in Module 8 – Licensed! Start thinking about it now; you will need to have your marketing plan thought out and included in your business plan. You may want to go back and review “What’s My Niche” from Module 1, I’m Interested! Key points:

- **Define and Understand your Market** – *Focus on a small niche, you can’t be everything to everyone.*
  - WHO are you selling to?
  - What’s their biggest problem or challenge?
  - What do they most want?
  - What’s the competition?
  - What are my prospects’ resources?
- **Your Marketing Strategy**
  - WHERE are your prospects, and how are you going to reach them?
  - How will you promote your services to them?
  - What is your competitive advantage?
  - HOW are you going to get residents to say “yes” to you?
- **Make it Compelling**
  - What is the **problem** or need?
  - How **big** is the need?
  - What is the **solution** to that need?
  - Why are **you** the person to solve it?
  - What makes you **different** from others?
    - What makes your offering more unique?
    - Niche market or specialty?
  - What might be your greatest challenge?

### Funding Request

If you're asking for funding, this is where you'll outline your funding requirements. Your goal is to clearly explain how much funding you'll need over the next five years and what you'll use it for.

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### Financial Projections

Supplement your funding request with financial projections. Your goal is to convince the reader that your business is stable and will be a financial success.

If your business is already established, include income statements, balance sheets, and cash flow statements for the last three to five years. If you have other collateral you could put against a loan, make sure to list it now.

Provide a prospective financial outlook for the next five years. Include forecasted income statements, balance sheets, cash flow statements, and capital expenditure budgets. For the first year, be even more specific and use quarterly — or even monthly — projections. Make sure to clearly explain your projections and match them to your funding requests.

This is a great place to use graphs and charts to tell the financial story of your business.

### Appendix

Use your appendix to provide supporting documents or other materials that were specially requested. Common items to include are credit histories, resumes, product pictures, letters of reference, licenses, permits, patents, legal documents, and other contracts.

Resources: Business

- [Start a Business in Washington](#)
- [Plan Your Business](#)

### Mission and Vision Statements

The mission statement is the “what” and the “how,” and the vision is the “why.”

#### Mission Statement

A mission statement is an action-based statement that describes the purpose of your business and how you serve your customers. It sometimes includes a description of your business, what it does, and its objectives.



A mission statement provides the “what,” the “who,” and the vision, the “why,” of your company. The best mission statements are guidelines by which your company operates. Everything you do as a company should work toward your mission statement.

Most mission statements are between one and three sentences, never exceeding 100 words. The best mission statements are typically a single succinct sentence, so keep this in mind when crafting yours.

Your mission statement should be shared with employees before their first day on the job. It should be highlighted on all your recruiting and onboarding materials, and employees should know it by heart. After all, this is the mission your employees should be aligned with every day.

*Adapted from: [Best Mission Statements: 12 Examples You Need to See \(fond.co\)](#)*



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### Resources: Mission and Vision Statement

- [16 Small Business Mission Statement Examples \(fitsmallbusiness.com\)](https://fitsmallbusiness.com/mission-statement-examples/)
- [26 Mission Statement Examples That Inspire \(+ Template\) \(bluleadz.com\)](https://bluleadz.com/mission-statement-examples/)

### Vision Statement

A vision statement is the inspirational statement of an idealistic emotional future of your business. It describes how you want people to feel when they interact with your business. How do you see your business in the future, based on your goals and aspirations? A vision statement gives your business a clear focus and keeps you heading in the right direction. You can find 100s of examples online.

Your vision may be just a sentence or two, but every word counts. Once you create and share your vision, it shouldn't be changed. Think about:

- Your business purpose – what does it do?
- What makes it special, what are you striving for?
- Use concrete, simple language.
- Keep your vision statement in line with your business values.

### Resources: Vision Statement

- [How to Write the Perfect Vision Statement • Asana](#)
- [A Guide to Writing a Great Vision Statement \(With Examples\) | CRM.org](#)
- [Crafting a Powerful Vision Statement: ClearPoint Strategy](#)
- [50+ Vision Statement Examples | Updated for 2021 | Strategic Planning \(leading-resources.com\)](#)

### Know Your Competition

Knowing your competitors is important in any line of business. In our state's AFH industry, we are very fortunate. Between the state agencies such as DSHS and DDA as well as other industry associations like the Adult Family Home Council and the Long-Term Care Foundation, we have many tools to do marketing research.

People seeking long-term care have several options to choose from. In Washington state, long-term care is broken down into several types of licenses depending on the size of the facility. Of these most are indirect competitors, meaning they do not provide the same type of services or living arrangements for the residents. Direct competitors are those that are most like your business.

Direct Competitors	Indirect Competitors
<ul style="list-style-type: none"><li>• Adult Family Homes</li></ul>	<ul style="list-style-type: none"><li>• Assisted Living Facilities</li><li>• Nursing Homes</li><li>• Enhanced Services Facilities</li><li>• In Home Care</li><li>• Visiting Nurses</li></ul>

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### Competitor Analysis Grid

Develop a competitive analysis grid. Lenders and others who read your business plan will ask what you know about your competition, so be sure to include the grid or a summary of your findings in your business plan.

Contact your local senior information and referral agency for a list of licensed adult family homes, assisted living facilities, and nursing homes in your area. Call some of these homes you have listed. It is recommended you pick at least three. Ask the business owners and directors if you may make an appointment to visit the home or center for an hour and discuss what they offer as a service. **Be clear that you are another adult family home provider in the area and that you are researching the field.** If they say no, graciously thank them for their time and move on.

Prepare for your visits by looking up each AFH provider in the [AFH locator for Professionals & Providers](#) database. You can find out a lot about your competition from reviewing their Disclosure of Services document and if they have any citations. You can learn about:

- The homes mission and values
- How long they have been an AFH provider
- Where they are located
- Number of residents
- The services and activities they provide – do they provide specialty (dementia, mental health, developmental disability) care?
- Their staffing – do they have staff awake at night or a nurse on staff?
- Other languages spoken in the home
- If they accept Medicaid

After you have the basics down, develop a list to ask more generic questions such as:

- What kind of adults do you enjoy caring for?
- What is your main reason for staff turnover?
- What strategy has worked best for marketing your home?
- Are you comfortable sharing your rates and how you determined them?
- What do you think people like best about your home?
- What do you like and dislike about being an AFH provider?
- Do you have any advice you will share with me?

Thank them for their time

Keep your list short; you will get a better response if they know you won't take up too much of their time.

Add your research into a grid like the **Competitor Analysis** on the following page. A few topics have been added to get you started; change/organize them to fit your needs. This is a good format for presenting the information in your business plan.

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Competitor Analysis				
Topic	Your Business	Competitor 1	Competitor 2	Competitor 3
Staff – type, experience, availability				
Nursing staff				
Staff turnover				
Distance from your home				
Fees				
Types of services and activities				
Length of time as a provider				
Number of residents				
Appearance outside of home				
Clean, safe, attractive environment				
Citations				
Accept Medicaid				

Visit at least two other types of long-term care facilities, such as nursing homes and assisted living. Talk to the discharge planners about the need for placements. You will be making good business contacts and gathering important market information.

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### Resources: Local

Many communities and colleges offer no cost or low-cost business plan writing courses and technical assistance. If you need help with your business plan, consider signing up for one of these courses.

[StartZone](#) is an example of free a service offered at Highline College. StartZone services are provided at no cost to their members and include:

- **Workshops**
- Feasibility Assessments
- Business Planning
- Business Consulting
- Mentoring
- Networking
- Peer Support
- Referrals

### Workshops



#### Start or Expand Your Adult Family Home

The workshop will cover available loan programs, including various down payment assistance programs. Learn how credit works, how to interpret your credit report, and the many factors that could influence your credit scores.

Finally, we'll dive into business management with the importance of creating a safe work environment, compensation, and record keeping.

### Business Feasibility

It is important to look at your current financial situation and analyze your personal financial habits. Money management practices have a big impact on our sense of well-being. Studies have shown that satisfaction or happiness is more a result of being in control of your finances than having a lot of money. Knowing both the good and the bad news of your current financial situation and spending habits will set you on the path to success.

It is also important to understand how your business fits in with the rest of your financial life. Knowing your personal net worth helps you know how much of your own money you can invest in your business. In addition, if you prepare a personal net worth statement annually, it is a useful tool to measure your financial progress from year to year. Your household income and expense statement give you a sense of your bottom-line financial goals for your business. The business will need to generate enough income to support your household. If your personal net worth and income is increasing, that is a good indication that your business is becoming successful. Note that if you apply for a loan for your business, your banker will need to see your personal net worth statement with your household income and expense statement.

### Financial Projections

For purposes of the discussion on financial projections, consider the following case study.

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### Case Study: Terry's Loving Care

Terry and her husband Charles are planning to open a new adult family home called Loving Care. Terry is currently working as a registered nurse, taking home about \$7,500 a month. Charles works part time in a hardware store, taking home about \$2,500 a month. Terry and Charles have three children, but only their 16-year-old son, Fred, still lives at home. Terry cares for her elderly mother who also lives with them. They own a four bedroom, two bath rambler in Burien and plan to use two of the bedrooms for Terry's mother and three additional paying residents.

Terry and Charles have positive net worth, but very little savings to invest in the business. Their home is valued at \$625,000. They own two cars valued at about \$20,000 each, personal property valued at about \$20,000 and have a savings account of about \$1500. They owe \$575,000 on the home and \$15,000 on one of the cars as well as \$2,500 on credit cards and \$5,000 on student loans.

ASSETS		LIABILITIES	
HOME	\$625,000	MORTGAGE	\$575,000
CARS	\$40,000	CAR LOAN	\$15,000
PERSONAL PROPERTY	\$20,000	CREDIT CARD	\$2,500
CHECKING	\$2,000	STUDENT LOAN	\$5,000
SAVINGS	\$1,500	<b>TOTAL</b>	\$597,500
INVESTMENTS	\$5,000		
		<b>EQUITY</b>	
<b>TOTAL</b>	\$693,500	<b>TOTAL</b>	\$ 96,000

Charles handles the household budget and manages to keep monthly expenses just under \$9,500 per month, but occasionally unexpected expenses have been charged to the credit card and the balance increases slightly. Very little is left over for savings.

Terry plans to find residents through DSHS. Because she has no specialty training and needs to dedicate some time to Fred's activities, she plans to find residents in the lowest service code classification (\$125.18 per day or about \$3,755 per month per resident). She plans to quit her job as soon as the home is licensed, at which time she will begin looking for residents. Her mother qualifies for Medicaid, so once licensed, Terry will charge for her care. She expects that it may take as much as three months to get her first placement but hopes to fill all three additional beds within six months. She expects her monthly revenue will be about \$15,020 once all four beds are filled.

To get the home licensed, Terry expects to spend about \$15,000 in startup costs. She estimates that fixed monthly expenses will be about \$575 per month with about \$2,650 in other overhead expenses. Variable costs consist primarily of food, which she estimates will be about \$187 a month per resident or a total of \$748.25 per month – she is including meals for her mother in this. She plans to provide all the care for her residents 24 hours a day. Charles will help during the day so that Terry can attend to errands and take Fred to soccer. It is expected that Fred will also help around the house, but he is too young to be a caregiver.

**Terry does not have enough personal savings to cover her startup costs.** She plans to borrow \$20,000 to cover her startup costs as well as provide working capital for the first six months of operations. The loan will be a home equity line of credit with interest at about five percent.

### Startup Cost Projections

Startup costs are the amounts you need to spend to get ready to admit your first resident. This activity will help you figure out how much money you need to “open your doors.” These costs will be different for each provider but will include things like modifications or repairs of your home and grounds, furniture, assistive devices as needed (e.g., walkers, wheelchairs), linens, space and desk for resident records, dishes, silverware, glasses, bookkeeping supplies, licensing fees, and any improvements you need to make to become licensed.

### Liability Insurance

(WAC [388-76-10191](#), WAC [388-76-10192](#))

Liability insurance is required in all adult family homes. Requirements are found in WACs [388-76-10191](#) and [388-76-10192](#). You **must** obtain and maintain **both**:

- **Commercial general liability insurance** or business liability insurance **AND**
- **Professional liability insurance** or errors and omissions insurance. In an AFH, the most common types of professionally licensed staff are registered nurses and licensed practical nurses. A home care aide (HCA), nursing assistant-certified (NA-C/CNA), and nursing assistant-registered (NAR) are not considered professionally licensed.

Liability insurance must be purchased **before** whichever of the following events happens first:

- You admit your first resident after you are issued a new AFH license or
- 10 working days have passed since your license was issued.

The insurance company may have additional requirements beyond what the department requires. Some homes are finding it difficult to obtain and maintain liability insurance upon licensure. Some insurance companies have implemented additional training and or other requirements above and beyond what is required by DSHS. For example, the insurance agency may require:

- A limit on the number of non-ambulatory residents in the home
- New providers have 3 years of business management experience in the healthcare field above the 1000 hours that’s required by the department

Research your liability insurance options now to be prepared to meet their requirements. Some companies are recommending potential providers work as Resident Managers in an AFH if they do not have any healthcare business experience. It may be difficult or expensive to obtain and maintain liability insurance if you do not have the required experience.

#### NOTE:

- Make sure you plan for this expense in your Startup Cost projections
- Read and be familiar with the two liability insurance WACs above
- RCS will look for these documents

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### ACTIVITY – On Your Own: Prepare Your Startup Cost Projection

Review the example in the table below and then fill in your own. *This is just an example and may not reflect current market costs.*

Startup Costs Example		Notes	Your Startup Costs	Notes
Training	\$2,000	Basic Training; HCA certification; AND Administrative Training for Terry and Charles		
Business Structure (LLC Formation)	\$250	LLC Registration Fee		
Licenses (State and local business licenses and AFH license)	\$3,000	Still need to research		May need city license CORPORATE BUSINESS FEES
Marketing (Printing business cards, flyers, developing a website)	\$1,000	Kinko's COSTCO ONLINE VENDORS		
Insurance (House, Liability [Commercial and Professional])	\$350	First six months		
Improvements	\$10,000	Entry ramp, widen doors, grab rails, new washer and dryer, new fridge, beds, and bedroom furniture		
Equipment/Furniture	\$6,000	Kitchen equipment, cleaning equipment, linens, towels, washer/dryer, fridge, beds and bedroom equipment, additional couch, and chairs for living room, first aid equipment, fire extinguishers, fax machine. computer		If possible, recommend having 2 rooms ready for licensing
Supplies	\$900	Three-day emergency supply kit, cleaning supplies, office supplies		
Unexpected Costs	\$3750	Costs for inspection and licensing compliance Home Inspection		
<b>TOTAL</b>	<b>\$27,250</b>			

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Write down possible sources of start-up capital. They may include loans, credit card, line of credit, investor, home equity line of credit on your home, money from your personal account (owner's investment), gifts from family, grants from non-profits or government agencies, etc.

Source	Amount

### Overhead Cost Projections

Overhead, or fixed costs, are those expenses that you must pay to keep your doors open, no matter how many residents are in your care. Most overhead costs are figured monthly. Some costs will occur once or several times a year, such as insurance payments. Examples of overhead costs include:

- Rent/Mortgage
- Staff and salaries
- Insurance, permits, licenses
- Utilities
- Supplies
- Marketing
- Professional fees
- Loan payments

It is important to make as accurate an estimate as possible of your expenses in each of these areas and any other categories that you might anticipate. When in doubt, err on the side of estimating too high. You can be assured that there will be unanticipated expenses at some time during that first year. You will need to plan how you will meet these unanticipated expenses, so consider establishing a separate contingency account for them.

Do not include what you plan to pay yourself in your list of costs. Remember, the profit you make is what you can afford to pay yourself, and you'll figure out what that is when you complete your income projections and cash flow statement in later sections. Also, don't figure into business expenses what you need to pay for household expenses. These are bills you must pay whether you are in business or not. Some of your household expenses may be tax-deductible, but this calculation is a tax issue that we will deal with later. First you need to figure what it costs to run the business, and how to make a profit, before you worry about tax issues. It is recommended that you consider getting advice from a CPA.



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### On Your Own ACTIVITY: Overhead Costs

Calculate your overhead costs. Review the sample below and fill in your own on the worksheet.

EXAMPLE				YOUR EXPENSES		
Overhead Expenses	Monthly Cost	Non-monthly costs	Notes	Monthly Costs	Non-Monthly Costs	Notes
Advertising	30		See marketing plan			
Insurance		2,500	Liability – pay \$350 2/year			
Professional Services		200	Legal, tax prep (March)			
Office Supplies	10	research	Fax machine			
Web Page	35	500				
Activity Costs	20		Excursions/arts and crafts			
Repair/ Maintenance		1,000	Annual estimate			Refrigerator, washer, dryer
Supplies	50		Cleaning, and adult materials			
Travel	30	195	Business mileage, conference			
Subscriptions						
License Renewals		900	Annual			
Bed Fee		225				Per year, per bed
Equipment		500	New computer – still researching			
Loan Payment	375		Loans may be deducted as rent. Interest can be taken off personal taxes			
Miscellaneous	500		Unplanned-cash reserve			
TOTAL COSTS	\$1,050	\$5,795				

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### Variable Costs

Variable costs (also called Cost of Goods Sold – COGS) **are defined as expenses you incur only when you sell a “unit” to a customer.** Most service businesses have very few variable costs because they are selling their time and use only a few or no products at all to complete the job. The cost of food for residents is a variable cost for adult family homes. **As the number of residents increases, so does the cost for groceries. If the number of residents decreases, spending for groceries falls. Electricity costs also fluctuate based on the number in the household.**

### How to Calculate Food Costs Per Resident

**Step 1:** Use this example to calculate food cost per resident for the day. As you calculate your own, remember to select menus from different times of the year to account for seasonal foods.

Meal/Snack Times	Serving Amount
<b>Breakfast</b> Milk Banana slices Waffles with syrup	6 oz. 3 oz. (about ½ banana) 1 waffle, 2 oz. syrup
<b>Morning Snack</b> Milk Peanut butter and crackers	6 oz. 1 oz. peanut butter, 4 crackers
<b>Lunch</b> Milk Grilled ham and cheese sandwich  Carrot sticks Melon slice	6 oz. 2 oz. ham, 1 oz. cheese, .5 oz. butter, 2 slices bread 1 oz. 1/8 melon
<b>Afternoon Snack</b> Milk Oatmeal cookie	6 oz. 1 large cookie
<b>Dinner</b> Milk Baked chicken Tater tots Broccoli Orange wedges	6 oz. 4 oz. chicken, .125 oz. spices 2 oz. 3 oz. ½ orange

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**Step 2:** Make a **shopping list**, with prices and item sizes, of all the ingredients that go into your menu. Add the serving size to your list (from your menu).

**Step 3:** Figure the number of servings you get from the item purchased by dividing the total item size/amount by the serving size. For example, you buy milk by the gallon, which is 128 oz., and one serving is 6 ounces.  $128 \div 6 = 21$  servings per gallon of milk. Repeat this calculation for every item on your shopping list.

**Step 4:** Figure the cost per serving by dividing the cost of the item by the number of servings you can get from the item. For example, one gallon of milk costs \$2.50.  $\$2.50 \div 21$  servings in a gallon = \$.12 per serving. So, it costs you 12 cents to serve 6 oz. of milk to a resident. Repeat this calculation for every item on your shopping list. Refer to the example on the previous page; step 1 – Day 1 Menu.



**Step 5:** Do the exercise for three separate days' worth of menus. When you have a cost per serving for each of the meals for all three days, add them together and divide by three to come up with an average. For example, Our Day 1 example's total for Breakfast is \$.90, let's say her total for Day 2 is \$1.02, and for Day 3 is \$1.15. Adding  $.90 + 1.02 + 1.15 = \$3.07$ .  $\$3.07 \div 3 = \$1.02$ . Terry will use \$1.02 as her average cost of breakfast per serving.

 **Step 6:** Estimate your monthly food costs for 12 months. To do this step, you must estimate the number of residents. If you are not sure yet how many residents you will have in your home, save this step until after you complete your income projection. In this example, there are four residents, and the average daily food cost comes to \$6.15. (\$1.02 for Breakfast, \$.48 for Snack 1, \$1.95 for Lunch, \$.50 for Snack 2, and \$2.20 for Dinner) So, four residents x \$6.15 x 365 days = \$8,979 per year or \$748.25 per month. Terry's total food cost for one month is \$748.25.

If the number of residents in your home stays the same, you can use the same figure for each month. If the number changes, do the calculation based upon your best estimate of how many residents you will be serving each month for 12 months.

Once you are in business, you will have an accurate count of how many meals you serve because you will be keeping track daily. At the end of the month add up all the meals, multiply by your average cost per meal, add the total, and you will have your monthly food cost.

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### Fiscal Management

Financial management systems are frequently a challenge. Taking time to develop good systems can be tedious and time consuming. Financial management systems are important because they provide you the basis for all the reports you need to provide to governmental agencies, banks, and potential funders. Plus, they provide you with an overall picture of how your business is doing and where it is headed. The four cornerstones of sound fiscal management are:

- Getting a handle on personal finances
- Separating personal finances from business finances
- Using financial projections
- Managing cash

### Financial Goals

- Work on your business, not just in your business
- Make time to deal with strategic financial planning and management
- Manage your finances

### Separate Your Personal Finances from Your Business Finances

**The first and most important rule in business financial management is to separate your personal finances from your business finances.**

Even if you already have a checking account for your personal household, you must set up a separate checking account for the business. This is essential to track business expenses separately from personal expenses and for having an accurate picture of the financial condition of the business. If you need a loan, the bank will expect to see business income and expenses separately from household income and expenses.

You might also consider creating an entirely separate legal entity for your business. Many small businesses are in the form of sole proprietorships – the simplest and least expensive business structure to start. However, to protect your personal assets from your business liabilities, it may make sense to form a separate business entity, such as a limited liability company or a corporation. If you are considering this, be sure to consult an expert - there are fees, tax consequences and other requirements that you should know about before making your decision. Talk to a business attorney, corporation attorney and/or a tax accountant for advice.

### Record Keeping

One of the best things you can do for yourself is to set aside time every day to keep good records. Good record keeping means keeping accurate, detailed, and chronological records of every business transaction. Your basic recordkeeping system should be easy to use, understandable, reliable, accurate, and timely.

### Your Business Filing System

As a business owner, you will need to save different kinds of documents, such as receipts, bank statements, insurance policies, licenses, and client files. Set up a filing system that works for you and keep it organized. One way is to use file folders that are kept in a locked cabinet. They should be clearly labeled in alphabetical and/or chronological order, and you should stay up to date with your filing. Some labels you might use are:

## Module 3 – Becoming a Business

- Bank statements (Bank A, Bank B, Bank C)
- L&I and Employment Security
- Licenses
- Expense receipts/reports
- Auto/Travel
- Marketing
- Tax information
- Repair and Maintenance
- Business plan
- Insurance policies
- Business credit card statements



### Receipts

Keep all your receipts. Receipts are PROOF of business expense. If needed, write the business purpose on the receipt itself. File or scan them and keep them for 6 years. Keep all tax-related and IRS documents indefinitely. You can organize your receipts by month or by vendor. A good method is to use an accordion filing box or any system that makes sense to you. If you scan them, put them in electronic files that make sense. DO NOT put them in a “shoe box” with the plan to organize them later.

### Helpful Hints:

- Consider purchasing a personal financial accounting program for your computer such as QuickBooks. This will ensure that your profit/loss statements will always be accurate. This will allow you to track all the money you spend while running your business.
- Do not rely on credit card statements. The IRS can't know if \$375 at OfficeMax was for “legitimate and necessary” business purpose.
- Minimize the use of cash. Document: What, Who, when – be sure to keep notes
- Schedule regular times for all your recordkeeping:
  - Residents and their care records
  - Staff records
  - AFH administration records
  - Financial records

**NOTE:** We will cover more about records in Module 6: Setting Up Your Home.

### Know Your Costs

- Your break-even point
- Your salary, retirement, insurance, vacation
- Your taxes
- Employee salaries and benefits
- Emergency fund
- Profit margin



### On Your Own ACTIVITY: Start Your Own Personal Net Worth Statement

Using the blank Personal Net Worth Statement template, make a list of your assets. Assets are anything you own that has value. Write down how much each item on your list is worth. Use your best estimate of the “fair market value” of the assets, that is, the price you would get if you were to sell your assets today. Include on your list money (e.g., checking and savings account balances), investments, vehicles, your home, and valuable collections. Include as a separate category your business assets. Keep this up to date; are you growing? What level of risk or investment can you afford to take?

List your liabilities on the form. Liabilities are whatever you owe.

Include on your list:

- credit cards
- student loans
- home loans
- car loans
- school tuition
- personal loans

Include as a separate category your business liabilities. Be sure to list the **total** amount you owe on these liabilities, not just your monthly payment.

Note that some items will be both assets and liabilities – for example, if you own a car but still have a car loan with an outstanding balance, the market value of your car will be listed under your assets and the balance of the car loan will be listed under your liabilities.

***Your net worth is the difference between what you own and what you owe, that is, how much is left over when you subtract how much you owe (liabilities) from your assets.*** This should be a positive number, but it could also be a negative number. If it is positive, ask yourself whether it is in a form that can be used without having to sell something (e.g., cash in a checking account) or if you would have to sell something to use it (e.g., a home that is mortgaged). Are you surprised at your net worth? Is it more or less than you thought? How can you increase it over the next year? Remember, your personal net worth statement is a “snapshot” of your assets and liabilities at a specific time, so be sure to put a date on it.

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### Simple and Expanded Personal Net Worth Statement Templates

Personal Net Worth Statement			
Net Worth Statement for:		Date:	
Assets	Amount	Liabilities	Amount
Checking Account		Credit Cards	
Savings Account		Visa	
Retirement Accounts		Mastercard	
Investments			
Automobile		Automobile loans	
Residence		Mortgage	
Personal Property		Medical Bills	
Other		Student Loans	
		Other	
<b>Total Assets</b>	<b>\$</b>	<b>Total Liabilities</b>	<b>\$ -</b>
		<b>Net Worth</b>	<b>\$ -</b>

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Personal Financial Statement Template						
These numbers are completely RANDOM. Enter your own financial information. DO NOT WRITE IN COLORED CELLS.						
Account Name	Account Type	Institution	Asset Value	Owed	Balance	
<b>Retirement accounts, 401k</b>						
IRA - SIMPLE	SIMPLE	Institution name	\$ 5,000.00	\$ -	\$ 5,000.00	
IRA - ROTH	ROTH		\$ -	\$ -	\$ -	
IRA - SEP	SEP		\$ -	\$ -	\$ -	
<b>Cash on hand</b>	Cash		\$ 15,000.00	\$ -	\$ 15,000.00	
Personal Bank - No. 1	Bank - cash		\$ 1,000.00	\$ -	\$ 1,000.00	
Personal Bank - No. 2	Bank - cash		\$ -	\$ -	\$ -	
<b>Investment Accounts</b>						
Investment account No. 1	Investment account		\$ -	\$ -	\$ -	
Investment account No. 2	Investment account		\$ -	\$ -	\$ -	
Other Bank Account	Cash - Emergency		\$ -	\$ -	\$ -	
Health Savings Account (HSA)	Cash - health care		\$ -	\$ -	\$ -	
<b>Real Estate</b>						
House No. 1 - address	Rental property		\$ 350,000.00	\$ 304,000.00	\$ 46,000.00	
House No. 2 - address	Personal home		\$ 150,000.00	\$ 90,000.00	\$ 60,000.00	
AFH #1			\$ -	\$ -	\$ -	
<b>Business you own</b>						
Business 1	My AFH	Business Asset - est. valu	\$ -	\$ -	\$ -	
<b>Auto, boats, other vehicles</b>						
Car # 1 - Make Model	Personal car?	Bank (or title owner)	\$ 5,500.00	\$ -	\$ 5,500.00	
Car # 2 - Make Model	Business car?	Bank (or title owner)	\$ -	\$ -	\$ -	
Boat # 1 - Make Model			\$ -	\$ -	\$ -	
RV #1 - Make Model			\$ -	\$ -	\$ -	
<b>Owed to you</b>						
Business Loan Name	Loan to...	Business who owes YOU	\$ -	\$ -	\$ -	
Personal Loan Name	Loan to...	Person who owes YOU	\$ -	\$ -	\$ -	
<b>Personal property</b>						
Collectibles you own	Personal property		\$ -	\$ -	\$ -	
Expensive or valuable items you own	Personal property		\$ -	\$ -	\$ -	
General personal items property - estimated	Personal property		\$ -	\$ -	\$ -	
<b>Credit and other financial obligations</b>						
Student Loan	RN / BSN	Fed Student Loan	\$ -	\$ 39,000.00	\$ (39,000.00)	
Consumer Credit Card 1	Consumer credit debt		\$ -	\$ -	\$ -	
Consumer Credit card 2	Consumer credit debt		\$ -	\$ -	\$ -	
Student Loan	Student Loan		\$ -	\$ -	\$ -	
Home Equity Line of Credit	HELOC	Mortgage loan debt	\$ -	\$ 10,000.00	\$ (10,000.00)	
NEW DEBT ITEM			\$ -	\$ -	\$ -	
NEW DEBT ITEM			\$ -	\$ -	\$ -	
<b>Total Assets and Liabilities</b>			<b>\$ 526,500.00</b>	<b>\$ 443,000.00</b>	<b>\$ 83,500.00</b>	
<b>Your Estimated Net Worth is:</b>			<b>\$ 83,500.00</b>			

## Financial Statements

As a business owner, you will generate monthly reports on cash flow, accounts receivables, accounts payable, payroll, an overall income statement (balances income against expenses), and a balance sheet (which gives an overall picture of the current worth of the business).

**Cash Flow Statement:** Understanding your company's cash flow is essential to staying in business. Monitoring cash flow is more than balancing a checkbook - it is about understanding where every dollar comes from and where it goes. Closely monitoring cash flow forces companies to pay more attention to incoming funds and the patterns that are created. Knowing which accounts need to be paid in full and which can be paid off in stages can help stretch a diminished cash reserve.

Cash flow analysis fulfills two purposes. First, it shows whether your money is coming in faster than it's going out (preferable) or vice versa (highly undesirable). Additionally, it shows, briefly, the inflows and outflows for a given period, thereby enabling you to quickly spot problem and opportunity areas.

**Know Your Household Income and Expenses:** A household income and expense statement summarizes income received and expenses paid monthly, typically for a 12-month period.



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The statement forms the basis of a budget and is particularly valuable because it shows your spending patterns, helps you determine where expenses can be cut and where money can be redirected.

**Balance Your Budget.** Your income should equal your expenses. Don't worry if your expenses exceed your income on your first attempt, but if this is the case, try to think of ways to cut back on expenses, and/or ways to increase your income. Make changes to your budget to bring it into balance. Note that your monthly expense figure tells you what your business needs to pay you for your business to be feasible. Are you willing to cut back expenses if necessary?

At the end of the month, prepare another Income and Expense Statement with your actual numbers. Compare the results to your budget and note any differences. Do this exercise every month.

Be sure to budget for a reserve fund – a savings account for emergencies or unplanned expenses. As a rule, you should try to keep enough in the reserve fund to pay from three to six months of your household expenses, especially if you are trying to start a new business.

**Note:** As mentioned, it is easier to understand cash flow if you keep your business and personal finances separate. The business can still pay your personal bills, but you will record those transactions as owner's draws. That way you will know exactly what is coming into and going out of the business, without mixing it up with your personal finances, and you will be able to make business decisions based upon accurate information and do your taxes correctly.

### Cash Flow Projection

Your cash flow projection shows all the money coming into your business, all the money going out of your business, and the balance at the end of the month. When doing the calculations from one month to the next, remember that just like with a checkbook register, your total cash at the end of the month is the same as your total cash at the beginning of the next month.

**Your cash flow projection is your best planning tool, an essential part of your business plan, and a key part of any loan application.** Your cash flow projection predicts what your business account will look like monthly for 12 months into the future. It allows you to plan when and how much to pay yourself (your owner's draw), helps you plan for major purchases/expenses, and shows you when you need a loan.

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### ASSIGNMENT #5: Do a 12-Month AFH Cash Flow Projection

**NOTE:** Download templates from your college platform/instructor

#### 12-MONTH AFH CASH FLOW PROJECTION TEMPLATES

Start with the Revenue Projections Worksheet to complete the income received fields on the Cashflow Statement template.

Revenue Projections Worksheet						
Revenue Projections	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
Resident 1 - Income	3,582.00	3,582.00	3,582.00	3,582.00	3,582.00	3,582.00
Resident 2 - Income			4,200.00	4,200.00	4,200.00	4,200.00
Resident 3 - Income				3,741.30	3,741.30	3,741.30
Resident 4 - Income				4,550.10	4,550.10	4,550.10
Resident 5 - Income					5,700.00	5,700.00
Resident 6 - Income						8,500.00
<b>Total Income Received</b>	<b>3,582.00</b>	<b>3,582.00</b>	<b>7,782.00</b>	<b>16,073.40</b>	<b>21,773.40</b>	<b>30,273.40</b>
Revenue Projections	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Resident 1 - Income	3,582.00	3,582.00	3,582.00	3,582.00	3,582.00	3,582.00
Resident 2 - Income	4,200.00	4,200.00	4,200.00	4,200.00	4,200.00	4,200.00
Resident 3 - Income	3,741.30	3,741.30	3,741.30	3,741.30	3,741.30	3,741.30
Resident 4 - Income	4,550.10	4,550.10	4,550.10	4,550.10	4,550.10	4,550.10
Resident 5 - Income	5,700.00	5,700.00	5,700.00	5,700.00	5,700.00	5,700.00
Resident 6 - Income	8,500.00	8,500.00	8,500.00	8,500.00	8,500.00	8,500.00
<b>Total Income Received</b>	<b>30,273.40</b>	<b>30,273.40</b>	<b>30,273.40</b>	<b>30,273.40</b>	<b>30,273.40</b>	<b>30,273.40</b>
* Note: Use the monthly Total Income Received from Revenue projections into the income received field on the Cashflow Statements						
		Daily Rate	30 Day Month	Type		
B-H	Resident 1	119.40	3,582.00	Medicaid		
	Resident 2		4,200.00	Private		
C-M	Resident 3	124.71	3,741.30	Medicaid		
D-H	Resident 4	151.67	4,550.10	Medicaid		
	Resident 5		5,700.00	Private		
	Resident 6		8,500.00	Private		

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Cashflow Projections	Start Up	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
<b>Cash In</b>														
1 Beginning Cash		22,700	14,012	5,324	561	839	3,942	10,020	16,298	22,576	21,154	19,732	18,310	
2 Income Received		3,582	3,582	7,782	16,073	21,773	30,273	30,273	30,273	30,273	30,273	30,273	30,273	264,703
3 Other Cash in (loan, owner's investment, etc.)	45,000	-	-	-	-	-	-	-	-	-	-	-	-	45,000
4 Total Cash In (2+3)	45,000	3,582	3,582	7,782	16,073	21,773	30,273	30,273	30,273	30,273	30,273	30,273	30,273	309,703
5 Cash Available (1+4)	45,000	26,282	17,594	13,106	16,634	22,612	34,215	40,293	46,571	52,849	51,427	50,005	48,583	
<b>Cash Out</b>														
6 Training	400													400
7 Entity Registration	250													250
8 Improvements	3,000													3,000
9 Equipment	5,000													5,000
10 Food Costs	1,000	275	275	550	1,100	1,375	1,650	1,650	1,650	1,650	1,650	1,650	1,650	16,125
11 Advertising	500	500	500	500	500	500	500	300	300	300	300	300	300	5,300
12 Insurance liability	3,000	250	250	250	250	250	250	250	250	250	250	250	250	6,000
13 Professional Services	1,000													1,000
14 Office Supplies	1,500	100	100	100	100	100	100	100	100	100	100	100	100	2,700
15 Website	500	35	35	35	35	35	35	35	35	35	35	35	35	920
16 Repair / Maint.	100	100	100	100	100	100	100	100	100	100	100	100	100	1,300
17 Supplies	1,000	150	150	150	150	150	150	150	150	150	150	150	150	2,800
18 Travel/Gas	150	100	100	100	100	100	100	100	100	100	100	100	100	1,350
19 Subscriptions														-
20 Business Phone	350	35	35	35	35	35	35	35	35	35	35	35	35	770
21 Licenses AFH, Business	3,500	175	175	175	175	175	175	175	175	175	175	175	175	5,600
22 Loan Payment		850	850	850	850	850	850	850	850	850	850	850	850	10,200
23 Association Fees	50	50	50	50	50	50	50	50	50	50	50	50	50	650
24 Staff Wages					2,000	4,000	8,000	8,000	8,000	12,000	12,000	12,000	12,000	78,000
25 Staff Ovhd (tax, LNI, etc.)					600	1,200	2,400	2,400	2,400	3,600	3,600	3,600	3,600	23,400
26 Utilities		500	500	500	600	600	650	650	650	650	650	650	650	7,250
27 Placement Fees														-
28 Business Taxes (est.)														-
29 Mortgage		4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	48,000
30 Other	1,000	150	150	150	150	150	150	150	150	150	150	150	150	2,800
31 Total Expenses	22,300	7,270	7,270	7,545	10,795	13,670	19,195	18,995	18,995	24,195	24,195	24,195	24,195	222,815
32 Cash Available (5-32)	22,700	19,012	10,324	5,561	5,839	8,942	15,020	21,298	27,576	28,654	27,232	25,810	24,388	
33 Owner's Draw		5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	7,500	7,500	7,500	7,500	70,000
34 Ending Cash	22,700	14,012	5,324	561	839	3,942	10,020	16,298	22,576	21,154	19,732	18,310	16,888	



### ACTIVITY: Calculate the Breakeven Point for Your Business

#### Break even Analysis

Breakeven is when your total revenue equals your total costs including your desired salary. Once you've reached your breakeven point, any revenue or profits you keep in your business bank account are called “retained earnings”. Any profit or funds you withdraw from your business bank account are considered “owner draw” and become part of your personal income. You can't operate a business without knowing how many residents you must care for to break even. If your breakeven point is four residents a month but you are currently running on two residents, then you'll need to reassess your business model.

- Using your projected costs from your Revenue Projections Worksheet and your annual cash flow revenue projections, calculate how many adults you will need to care for to break even. Remember to divide your projected annual revenue by the number of total adults projected in your program to get an average amount of annual revenue per adult. This is not an exact science at this point.

Annual expenses/Annual gross profit per adult = Number of adults to reach breakeven

\_\_\_\_\_ / \_\_\_\_\_ = \_\_\_\_\_

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- 2) Now calculate how many adults you will need to care for to cover your costs and the owner's draw.

Annual expenses + owner's draw / Annual revenue per adult = Number of adults to cover expenses and owner's draw.

\_\_\_\_\_ / \_\_\_\_\_ = \_\_\_\_\_

- 3) Consider the questions below:

- What does this calculation tell you about your potential profitability?
- What adjustments can you make to your price or the number of adults in your care to reach breakeven, if you don't already?

### Tips for Tax Time

Keep good records so that you can take all the deductions that you are allowed, to decrease your taxable income and pay less in taxes. Ask a professional if you are not sure if a certain expense is deductible or not. For example, do you know if your home office expenses are deductible? Did you know that only the interest portions of loan payments are deductible? If you need help with your tax return, find a professional that



has experience with AFHs, or with small businesses. Keep these tips in mind:

- Set aside money every month (A percent of your net income, which is business income minus business expenses) so you won't be caught short at tax time. If you are not sure how much to set aside, talk with a tax professional. After you have been in business for a year and know your approximate taxes, the IRS may require you to make quarterly payments. It is also recommended to consider making monthly payments which is easier to plan for and understand.
- Keep your personal finances and your business finances separate.
- Keep accurate and up to date records (both business and personal).
- Keep all your receipts and file them in an organized manner.
- Get professional assistance

### Self-Audits

By neglecting to update financial records, a company could face bankruptcy for no reason other than failing to perform a simple weekly task. To keep on top of things, consider conducting regular self-audits. Many successful businesses conduct self-audits as a means of monitoring their financial status. Auditing on a weekly basis can provide a business with the foresight to avoid potential problems that could be detrimental to your AFH's financial fitness. The process gives you valuable knowledge to plan your business's payment and collection schedule.

## Module 3 – Becoming a Business

### Pricing Strategies and Models – How Much Should You Charge?

#### Medicaid

Residents receiving Medicaid, are paid a fixed rate of reimbursement based on their assessed level of care in the CARE assessment. We will learn more about CARE and how level of care is determined in Module 9 – Getting Ready. You can review the Medicaid payment structure on the [ALTSA Office of Rates Management website](#).

#### Private Pay

Pricing for “private pay” residents gives you more flexibility. Charging the right price is important and should consider your costs, what your competitors are charging, and what your customers are willing to pay. Industry trends vary by county and region. You should decide what price to charge only after you have done your *cost analysis* and your *market research*.

Be careful not to underprice your services. New business owners are tempted to charge a reduced rate hoping to attract customers. Be sure to set your rates based on well thought-out fiscal planning, and clear income and expense projections.

#### Do Your Research

Think about what you learned doing your competition grid. This will help you with your pricing:

- How many AFHs are in your area?
- How many beds?
- How many assisted living facilities and beds?

It will be hard to fill your beds if there is a saturation in the market.

#### Where Do You Fit - What can you offer?

- Will you fit in with the best or average homes in your community?
- What is your level of expertise, professional qualifications, and experience?
- Experienced staff? What is their competence level?
- Any specialized services or programs?
- Quality and appeal of your home, rooms, amenities, furnishings, etc.
- Is there a demand for care in your area?

Think about the different pricing strategies and models:

- Flat fee versus levels of care
  - Review proper disclosure of charges when using “levels of care”
  - How you evaluate your private pay residents, assign levels and prices
- Charge daily or monthly – For daily rate, take the amount you charge each month, multiply by 12 and divide by 365 days.
- Room and board plus the care fee rate

**BEST PRACTICE:** Current AFH owners strongly recommend developing a daily rate. This rate can fluctuate based on special populations you serve such as Dementia, Hospice, or heavy care residents.

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Keep in mind that you want to make sufficient profit to pay yourself enough to make the business feasible for you. Small businesses in general and adult family homes typically do not have a high profit margin to begin with – so don't sell yourself short.

The extent of personal care necessary for each resident and the expertise and amount of staff time that is required to provide that care determines the daily rate charged.

Consider:

- Each resident needs are different, price accordingly
- Normal nighttime sleeping hours are expected; however, some residents may need assistance in the night that requires awake night staff
- When a rate would change
- How you will charge for the different levels of care based on the information discussed above

For Medicaid residents, a CARE assessment will determine the rate. Here is a **sample** break down for private pay residents: based on personal care levels.

### **(SAMPLE) Boarder: Independent Living \$\_\_\_per Day**

This is the TRUE independence level. The resident simply needs a place to live, laundry and room cleaning with meal service. There is very little that we need to provide for the resident other than these three services. A couple applies to live in your AFH, the husband needs personal care, and the wife does not. In this case, the wife would be considered a boarder.

### **(SAMPLE) Personal Care Level 1: Attended Independence \$\_\_\_per Day**

This minimal level of assistance is for residents who are ambulatory, continent, and oriented. They have no significant medical problems, but may need some assistance with medication reminders, nutrition, hygiene, and activities of daily living. Services in this rate would include the basic services plus medication management, health monitoring including monthly blood pressure monitoring, weight, and nutritional assessment. Occasional light lifting or personal assistance may be needed.

### **(SAMPLE) Personal Care Level 2: Helpful Assistance \$\_\_\_per day**

Residents at this level of care may have moderate medical problems. They can perform some self-care but may require reminding and general assistance. This resident may have some memory and/or orientation loss and require assistance with dressing and grooming tasks. Services in this rate would include bi-weekly assistance with bathing, supervision of hygiene and grooming, nutritional intake, and some occasional incontinence management. This resident might need a two-person assist on occasion or occasional redirecting.

### **(SAMPLE) Personal Care Level 3: (1) Extended and (2) Intensive Assistance \$\_\_\_per day**

(1) **Extended Care** includes residents with incontinence of both bowel and bladder, more assistance is needed in medication management, eating, bathing, toileting, dressing and transferring and more advanced memory loss.

(2) **Intensive Care** includes care for catheterization, dressing changes, diabetes and other care needs requiring the services of a registered nurse and other heavy care needs such as being bedridden, lifting

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(one or two person lifting or Hoyer lift required), or non-ambulatory or advanced dementia which requires more staff time. (Night wanderers, abusive or violent residents or those who need two-person assistance in transfer may be beyond the realm of care we can provide.)

Also included are special diets, low sodium, low cholesterol, high fiber, mechanical soft, etc., as prescribed by the resident's attending Physician.

### **(SAMPLE) Hospice Care Level 4: Death with Dignity \$\_\_\_ to \$\_\_\_ per day**

Residents who are facing a life-threatening illness without a cure are included in this category. Hospice provides for the special care needs of the dying with emphasis on pain management to allow the resident to live each day to the fullest. The Hospice program uses skilled, compassionate nurses that pain control and comfort under a doctor's orders. Hospice works with the family, friends, relatives, responsible parties, and professional caregivers in the Adult Family Home.

Services include feeding, positioning every two hours, changing incontinence pads, bed baths, etc. as needed for the residents' well-being and comfort.

### **Monthly Fees and Charge List for Services**

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#### **Resident or Family is responsible for all costs not covered by insurance for:**

- All medications, pharmacy bubble packing of medications, PT, OT & speech therapists, physicians, and personal nurse services (nurse delegation included), transportation for doctor visits, emergency transportation, hospital or clinic costs and all other medical services.
- All costs for items used for incontinence, such as disposable diapers, pads, undergarments, plastic bed liners, body wipes, skin cream, etc.
- All medications, prescribed or over the counter, special medical equipment such as walkers, wheelchairs, commodes, hospital beds, hearing aids, eyeglasses, dentures, etc.
- All costs for special food supplements such as Ensure, or special diabetic foods or formulas ordered by the resident's physician.
- All personal clothing and accessories, shaving and beauty aids, teeth cleaning and dental supplies, and special items such as beauty, hair and barber arrangements, dry cleaning, and special grooming aids.
- If the resident has a "Living Will" or "DNR", a copy must be on file with the resident. NO resident is required to have filled out these forms; however, if that is the desire of the resident, a copy must be on file.

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**The Basic Monthly Fee\*** as determined by the Level of Care needed and specific private room is as follows:

Rates for Heavy Lifting, Dementia and Alzheimer's residents will be assessed on a case-by-case basis. Some AFH owners recommend you use a daily rate when you determine this fee.

\*The Basic Monthly Fee could be increased if the resident's condition and care needs change.

## Module 3 – Becoming a Business

### Explore Pricing Strategies

Pricing Strategies	Advantage	Disadvantage
<b>Opportunistic Pricing</b> Changing the price in response to market conditions	Charge more due to shortage in the market	When demand starts to lessen, residents may choose to move to a competitor when market conditions improve.
<b>Psychological Pricing</b> Based on the <i>psychology</i> and the <i>positioning of price</i> . For example: Charging 99 cents instead \$1 or \$199 instead of \$200.	The buyer thinks they got a deal when it was only a penny or a dollar less.	The adult family home may end up undercharging themselves.
<b>Penetration Pricing</b> Setting a low price to increase sales and market share.  For example:  A television satellite company sets a low price to get subscribers then increases the price as their customer base increases. An Adult Family home sets a low price to gain residents.	More customers at lower prices	Once market share has been captured the firm may well then increase their price, resulting in higher prices. Possibility of losing new customers.
<b>Defensive Pricing</b>  <b>Defensive pricing is reactionary.</b> You set your prices by responding to the prices of similar products on the market. When they change, you must respond as well.	More customers.	But when you do this, you are letting someone else dictate the rules of the game. When they change, you must respond as well.
<b>Offensive Pricing</b> Offensive pricing puts you in control.	You are the one on the attack. The one controlling the game.	Higher prices and less customers.



## Module 3 – Becoming a Business



Which of the above strategies is most likely to help me achieve the following goals?

Goal	Strategy
Ensure adequate cash flow	
Increase the number of adults in care	
Meet or beat the competitor's prices	
Maintain or create a certain image	
Improve customer relations	

## Module 3 – Becoming a Business

### Billing and Invoicing for Private Pay Residents

Invoicing for your services is a crucial part of your business if you want to keep a positive cash flow. Invoicing begins when you and your resident first agree to the services, and it ends when you submit an invoice for those services and receive payment.

It is important that your invoices be clear and accurate to get paid timely. Keep it simple and use the same language as your admission agreement. Nothing on the invoice should surprise your resident or their representative. They should be able to read your invoice and know exactly what they are being billed for. Below are a couple of examples for billing and invoicing residents.

ABC ADULT FAMILY HOME 1 ANYWHERE STREET ANYWHERE TOWN 99999					
Patient Name	License number 99999	Billing Date DATE	Admission Date DATE	Invoice Number 1	
Insurance Coverage NAME OF INSURANCE CO.	Name and address of guarantor Name of resident or AIF Address of resident ABC ADULT FAMILY HOME 1 ANYWHERE STREET				
Service Date	Description of services	Cost	Rent		TOTAL
11/5/2012	Meals, ADL assist, personal care, medication mgmt	\$ 96.77	\$ 32.26		\$ 129.03
11/6/2012	Meals, ADL assist, personal care, medication mgmt	\$ 96.77	\$ 32.26		\$ 129.03
11/7/2012	Meals, ADL assist, personal care, medication mgmt	\$ 96.77	\$ 32.26		\$ 129.03
11/8/2012	Meals, ADL assist, personal care, medication mgmt	\$ 96.77	\$ 32.26		\$ 129.03
11/9/2012	Meals, ADL assist, personal care, medication mgmt	\$ 96.77	\$ 32.26		\$ 129.03
11/10/2012	Meals, ADL assist, personal care, medication mgmt	\$ 96.77	\$ 32.26		\$ 129.03
11/11/2012	Meals, ADL assist, personal care, medication mgmt	\$ 96.77	\$ 32.26		\$ 129.03
11/12/2012	Meals, ADL assist, personal care, medication mgmt	\$ 96.77	\$ 32.26		\$ 129.03
11/13/2012	Meals, ADL assist, personal care, medication mgmt	\$ 96.77	\$ 32.26		\$ 129.03
11/14/2012	Meals, ADL assist, personal care, medication mgmt	\$ 96.77	\$ 32.26		\$ 129.03
11/15/2012	Meals, ADL assist, personal care, medication mgmt	\$ 96.77	\$ 32.26		\$ 129.03
11/16/2012	Meals, ADL assist, personal care, medication mgmt	\$ 96.77	\$ 32.26		\$ 129.03
11/17/2012	Meals, ADL assist, personal care, medication mgmt	\$ 96.77	\$ 32.26		\$ 129.03
11/18/2012	Meals, ADL assist, personal care, medication mgmt	\$ 96.77	\$ 32.26		\$ 129.03
11/19/2012	Meals, ADL assist, personal care, medication mgmt	\$ 96.77	\$ 32.26		\$ 129.03
11/20/2012	Meals, ADL assist, personal care, medication mgmt	\$ 96.77	\$ 32.26		\$ 129.03
11/21/2012	Meals, ADL assist, personal care, medication mgmt	\$ 96.77	\$ 32.26		\$ 129.03
11/22/2012	Meals, ADL assist, personal care, medication mgmt	\$ 96.77	\$ 32.26		\$ 129.03
11/23/2012	Meals, ADL assist, personal care, medication mgmt	\$ 96.77	\$ 32.26		\$ 129.03
11/24/2012	Meals, ADL assist, personal care, medication mgmt	\$ 96.77	\$ 32.26		\$ 129.03
11/25/2012	Meals, ADL assist, personal care, medication mgmt	\$ 96.77	\$ 32.26		\$ 129.03
11/26/2012	Meals, ADL assist, personal care, medication mgmt	\$ 96.77	\$ 32.26		\$ 129.03
11/27/2012	Meals, ADL assist, personal care, medication mgmt	\$ 96.77	\$ 32.26		\$ 129.03
11/28/2012	Meals, ADL assist, personal care, medication mgmt	\$ 96.77	\$ 32.26		\$ 129.03
11/29/2012	Meals, ADL assist, personal care, medication mgmt	\$ 96.77	\$ 32.26		\$ 129.03
11/30/2012	Meals, ADL assist, personal care, medication mgmt	\$ 96.77	\$ 32.26		\$ 129.03
12/1/2012	Meals, ADL assist, personal care, medication mgmt	\$ 96.77	\$ 32.26		\$ 129.03
12/2/2012	Meals, ADL assist, personal care, medication mgmt	\$ 96.77	\$ 32.26		\$ 129.03
12/3/2012	Meals, ADL assist, personal care, medication mgmt	\$ 96.77	\$ 32.26		\$ 129.03
12/4/2012	Meals, ADL assist, personal care, medication mgmt	\$ 96.77	\$ 32.26		\$ 129.03
12/5/2012	Meals, ADL assist, personal care, medication mgmt	\$ 96.77	\$ 32.26		\$ 129.03
<b>TOTAL BILLING DUE 11/5/2012 TO 12/05/2012</b>					<b>\$ 4,000.00</b>
Submitted by: NAME OF PROVIDER					

ABC Adult Family Home

101 Any Where Street  
Anywhere, WA 999999

# Invoice

Date	Invoice #
3/1/2013	1

<b>Bill To</b>
Mrs. Jones Anywhere Town

P.O. No.	Terms	Project

Quantity	Description	Rate	Amount
	24 Hr Basic Care, for the Month of March 2013 Includes Room/Board	2,500.00	2,500.00
	Ambulation Assistance	100.00	100.00
	Skin Care	100.00	100.00
	Incontinence both Bowel and Bladder	300.00	300.00
	Assistance with Showers	100.00	100.00
	Skin care	100.00	100.00
	Special Diets	100.00	100.00
	Night Time Supervision	100.00	100.00
	Personal Hygiene	100.00	100.00
Thank you for your business.		<b>Total</b>	<b>\$3,500.00</b>


## Module 3 – Becoming a Business

### Disclosure of Charges Form

This form is a WAC requirement and was introduced in Module 2 – Am I Qualified, what are the Laws? Once you have your pricing model down, you will want to complete and have available the [Disclosure of Charges](#) (15-449 form (download)). Here is a quick reminder of the key points:

- This form cannot be used on its own to meet the requirements outlined in WAC [388-76-10540](#)
- Unless listed individually on the form, charges for care, services, items, and activities are included in the daily and/or monthly rate.
- The form is given to all residents prior to or upon admission or to anyone who asks for it. You may use your own Disclosure of Charges Form if you wish but **you must** also use the standardized Disclosure of Charges form.
- This form is NOT included in your application packet.
- **RCS staff will continue to look for the Disclosure of Charges form during AFH full inspections and/or complaint investigations.**

## Adult Family Home Disclosure of Charges SAMPLE

		<b>Adult Family Home Disclosure of Charges Required by RCW 70.128.280</b>		DATE <b>4/12/2022</b>
HOME / PROVIDER'S NAME <b>Your AFH Home – SAMPLE - SAMPLE</b>			LICENSE NUMBER TBD	
<p><b>NOTE:</b> The term "the home" refers to the adult family home / provider listed above.</p> <p>The information in this form is meant to help people search for a home that best suits their needs and choices. The lists of services and charges on this form are not necessarily complete or binding. In addition to looking at these forms, potential residents and their family members may wish to contact the home directly by phone or email, interview the providers at the home, and use other available resources to choose a home that most fits their needs.</p> <p>The care, services, items, and activities listed on this form do not reflect all required and/or available care, services, items, and activities that an adult family home provides for residents. This form may not be used on its own to meet the requirements of section 388-76-10540 WAC. Unless listed individually on this form, charges for care, services, items, and activities are included in the daily and/or monthly rate. For more information on reasonable accommodations and the regulations for adult family homes, see <a href="#">Chapter 388-76</a> of Washington Administrative Code or call the Long Term Care Ombuds with questions at 1-800-562-6028.</p> <p style="text-align: center;"><b>Table of Contents</b></p> <p> <a href="#">Medicaid Information</a>  <a href="#">Admission Fees</a>  <a href="#">Deposits</a>  <a href="#">Prepaid Charges</a>  <a href="#">Other Fees / Charges</a>  <a href="#">Daily and/or Monthly Rates</a>  <a href="#">Personal Care</a>  <a href="#">Medication Services</a>  <a href="#">Other Services</a>  <a href="#">Items</a>  <a href="#">Activities</a>  <a href="#">Other Charges (Not covered by Medicaid, Medicare, or other programs)</a>  <a href="#">Resident Acknowledgement of Receipt</a> </p>				
<b>Medicaid Information</b>				
<p>Medicaid payments made by DSHS are considered payment in full for the services, items, activities, and room and board. Supplementation (Medicaid payments plus additional payment/s) of this rate is only allowed in limited situations. See WAC 388-105-0050 or speak to your case manager for more information on supplementation.</p> <p>The home must fully disclose the home's policy on accepting Medicaid payments. The policy must clearly state the circumstances under which the home provides care for Medicaid eligible residents and for residents who become eligible for Medicaid after admission. (WAC 388-76-10522). The home may change any policy with a 30 day written notice.</p>				
<p> <input type="checkbox"/> The home is a private pay facility and does not accept Medicaid payments.  <input type="checkbox"/> The home will accept Medicaid payments under the following conditions:  <i>(Select only ONE option only. If you select the "Accept Medicaid with conditions..." add a summary description of your Medicaid Policy, see below:</i> </p>				
ADDITIONAL COMMENTS REGARDING MEDICAID <b>We accept Medicaid as a payment source after resident has resided in the AFH for 12 months. We required 90 days' notice prior to Medicaid conversion.</b>				
<b>Admission Fee *</b>				
If the home requires payment of an admission fee, the home must give full disclosure in writing. (WAC 388-76-10540)				
* This section does not apply to residents receiving Medicaid, as this is either covered by Medicaid or not applicable to residents paying Medicaid.				
Page 1 of 6				
ADULT FAMILY HOME DISCLOSURE OF CHARGES REQUIRED BY RCW 70.128.280 DSHS 16-449 (REV. 08/2021)				



## SAMPLE

The home charges the following admission fee: <b>Example: \$xxxx non-refundable administration fee.</b>	
ADDITIONAL COMMENTS REGARDING ADMISSION FEE <b>Covers in-person visit to evaluate the resident in current setting and prepare the DSHS-required paperwork before admission.</b>	
<b>Deposits *</b>	
If the home requires payment of a deposit, the home must give full disclosure in writing. (WAC 388-76-10540)	
The home requires the following deposit(s):	
DEPOSIT PURPOSE	DEPOSIT AMOUNT
<b>Half-month security deposit (refundable or not? Explain).</b>	\$ <b>xxxx</b>
<b>Move-out cleaning fee (non-refundable). To clean the room after you move out.</b>	\$ <b>xxxx</b>
<b>Room Hold deposit. To hold your room until you move in. Full amount will be applied to your first month's care fee. If you cannot move-in due to reasons beyond your control (for example, you fall ill or need a nursing home) 100% of your deposit will be refunded. If you decide not to move in for personal reasons, your Room Hold deposit will be forfeited.</b>	\$ <b>xxxx</b>
	\$
ADDITIONAL COMMENTS REGARDING DEPOSITS	
<b>Prepaid Charges *</b>	
If the home requires prepaid charges, the home must give full disclosure in writing. (WAC 388-76-10540)	
The home requires the following prepayment for charge(s):	
CHARGE PURPOSE	CHARGE AMOUNT
<b>The care fee must be prepaid for the current month. If you move out early, the balance will be refunded.</b>	\$
<b>Detail and explain any other fees that must be paid in advance, and the refund rules.</b>	\$
	\$
	\$
ADDITIONAL COMMENTS REGARDING PREPAID CHARGES	
<b>Other Fees / Charges</b>	
If the home requires payment of other fees or charges, the home must give full disclosure in writing. (WAC 388-76-10540)	
The home requires the following other fees / charges:	
FEE / CHARGE PURPOSE	FEE / CHARGE AMOUNT
<b>In-room TV cable top box – monthly fee</b>	\$ <b>xxxx</b>
<b>In-room telephone line with personal number (to be paid by resident directly to telephone service provider? Or paid by provider and reimbursed by resident? Decide and explain). If the resident has a cell phone, how is the monthly bill paid?</b>	\$ <b>xxx</b>
	\$

\* This section does not apply to residents receiving Medicaid, as this is either covered by Medicaid or not applicable to residents paying Medicaid.

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## SAMPLE

		\$	
ADDITIONAL COMMENTS REGARDING OTHER FEES / CHARGES			
<p>The home charges the following minimum stay fees:</p> <p><b>If you ask for a minimum stay, review the regulations on minimum stays and refunds.</b></p> <p>If the resident dies, is hospitalized, or transferred or discharged from the home, the following amount or portion of the deposits and/or prepaid funds <u>not be</u> refunded (in other words, will be retained) by the home <b>within the limits stated in RCW 70.129.150:</b></p> <p><b>REFER TO THIS RCW to ensure compliance on refunds if/when the resident dies or moves out for more appropriate care.</b></p>			
Daily and/or Monthly Rates *			
<p>Provider's statement:</p> <p><b>The care fee is established based on your room choice, care needs and other needed or desired services. You will receive an invoice near the end of each month for the upcoming month. The care fee is due in advance by the 1<sup>st</sup> of each month.</b></p> <p><b>You must check both boxes below: multiply you "low" and "high" daily rates x 31 days to come up with your monthly rate – see example below:</b></p>			
<input checked="" type="checkbox"/> The home charges the following monthly rate:	Low	31	High
	\$		\$
			62
<input checked="" type="checkbox"/> The home charges the following daily rate:	Low	1	High
	\$		\$
			2
Personal Care *			
<p>"Personal care services" means both physical assistance and/or prompting and supervising the performance of direct personal care tasks as determined by the resident's needs and does not include assistance with tasks performed by a licensed health professional. (WAC 388-78-10000)</p>			
<b>Eating</b>	Low		High
The following charge(s) may be added to the daily/monthly rate:	\$		\$
<ul style="list-style-type: none"> <li>Low (usually independent but needs some assistance)</li> <li>Medium (needs assistance approximately half the time)</li> <li>High (needs physical help daily)</li> </ul>			
<input checked="" type="checkbox"/> Included in monthly rate.			
<b>Toileting</b>	Low		High
The following charge(s) may be added to the daily/monthly rate:	\$		\$
<ul style="list-style-type: none"> <li>Low (usually independent but needs some assistance)</li> <li>Medium (needs assistance approximately half the time)</li> <li>High (needs physical help daily)</li> </ul>			
<input checked="" type="checkbox"/> Included in monthly rate.			
<b>Transferring</b>	Low		High
The following charge(s) may be added to the daily/monthly rate:	\$		\$
<ul style="list-style-type: none"> <li>Low (usually independent but needs some assistance)</li> <li>Medium (needs assistance approximately half the time)</li> <li>High (needs physical help daily)</li> </ul>			
<input checked="" type="checkbox"/> Included in monthly rate			
<p>* This section does not apply to residents receiving Medicaid, as this is either covered by Medicaid or not applicable to residents paying Medicaid.</p>			

## SAMPLE

<b>Personal hygiene</b> The following charge(s) may be added to the daily/monthly rate: <ul style="list-style-type: none"> <li>• Low (usually independent but needs some assistance)</li> <li>• Medium (needs assistance approximately half the time)</li> <li>• High (needs physical help daily)</li> </ul> <input checked="" type="checkbox"/> Included in monthly rate	Low \$ _____	High \$ _____
<b>Dressing</b> The following charge(s) may be added to the daily/monthly rate: <ul style="list-style-type: none"> <li>• Low (usually independent but needs some assistance)</li> <li>• Medium (needs assistance approximately half the time)</li> <li>• High (needs physical help daily)</li> </ul> <input checked="" type="checkbox"/> Included in monthly rate	Low \$ _____	High \$ _____
<b>Bathing</b> The following charge(s) may be added to the daily/monthly rate: <ul style="list-style-type: none"> <li>• Low (usually independent but needs some assistance)</li> <li>• Medium (needs assistance approximately half the time)</li> <li>• High (needs physical help daily)</li> </ul> <input checked="" type="checkbox"/> Included in monthly rate	Low \$ _____	High \$ _____
<b>Behaviors</b> The following charge(s) may be added to the daily/monthly rate: <ul style="list-style-type: none"> <li>• Low (usually independent but needs some assistance)</li> <li>• Medium (needs assistance approximately half the time)</li> <li>• High (needs help daily)</li> </ul> <input checked="" type="checkbox"/> Included in monthly rate	Low \$ _____	High \$ _____
<b>Medication and Medical Services *</b>		
If the home admits residents who need medication assistance or medication administration services by a legally authorized person, the home must have systems in place to ensure the services provided meet the medication needs of each resident and meet all laws and rules relating to medications. (WAC 388-76-10430)		
<b>Medication Services</b> <input checked="" type="checkbox"/> Included in monthly rate	Low \$ _____	High \$ _____
<b>Nurse Delegation Services</b> <input type="checkbox"/> Included in monthly rate	Low \$ _____	High \$ _____
<b>Assessments (full, change of condition, use of medical equipment, etc.)</b> <input type="checkbox"/> Included in monthly rate	Low \$ _____	High \$ _____
<b>Other Services</b>		
The home must provide notice in writing of the services customarily available in the home and the charges for those services. (WAC 388-76-10530) Other services not included in the daily/monthly rate may include cable television, internet access, haircuts, long-distance phone calls, etc.		
<b>Other Services</b> The following charge(s) may be added to the daily / monthly rate: <ul style="list-style-type: none"> <li>• <b>Blood glucose monitoring and assistance with insulin pen/injections up to four times daily: \$xxxx to \$xxxx monthly, depending on frequency.</b></li> <li>• <b>Oxygen therapy and supplies management: \$xxxx monthly.</b></li> </ul>		

\* This section does not apply to residents receiving Medicaid, as this is either covered by Medicaid or not applicable to residents paying Medicaid.

ADULT FAMILY HOME DISCLOSURE OF CHARGES REQUIRED BY RCW 70.128.280  
D&H 8 16-449 (REV. 05/2021)



## SAMPLE

<ul style="list-style-type: none"> <li>• <b>Uncomplicated wound care dressing changes: \$xxxx daily, depending on frequency, for the duration of the services. *Only “simple wound care” can be delegated to the AFH staff, unless the provider is an LPN or RN.</b></li> <li>• <b>Hair care by visiting hairdresser: once monthly is included in care fee, additional visits are \$xxxx per each additional visit.</b></li> </ul>		
<b>Items</b>		
The home must provide notice in writing of items customarily available in the home and the charges for those items. (WAC 388-76-10530) Items not included in the daily/monthly rate may include premium brand shampoos and soaps, razors, undergarments, disposables, etc.		
<b>Items</b> The following charge(s) may be added to the daily / monthly rate: <ul style="list-style-type: none"> <li>• <b>Any specialty items for personal care or diet, such as Ensure, or Boost nutrition shall be paid by resident.</b></li> <li>• <b>Incontinent briefs: \$xxxx per box, billed per box, based on actual usage.</b></li> </ul>		
<b>Activities</b>		
The home must provide notice in writing of activities customarily available in the home and the charges for those items. (WAC 388-76-10530) Activities not included in the daily/monthly rate may include trips to special events, shopping excursions, etc.		
<b>Items</b> The following charge(s) may be added to the daily / monthly rate: <ul style="list-style-type: none"> <li>• <b>Routine activities, including weekly recreational and music therapy are included in the resident's care fee.</b></li> <li>• <b>Additional one-on-one activities, for example outings or specialized physical therapy may incur additional costs depending on frequency and whether specialized staff must be hired to meet your needs.</b></li> </ul>		
<b>Other Charges (not covered by Medicaid, Medicare, or other programs)</b>		
Other charges <div style="border: 1px solid black; height: 100px; width: 100%;"></div>		
<b>Resident Acknowledgement of Receipt</b>		
<b>Resident:</b> WAC 388-76-10532 requires adult family homes to provide a copy of the Disclosure of Charges form to residents prior to or upon admission. By signing this form, you acknowledge that you have received a copy of this disclosure.		
SIGNATURE	DATE	PRINTED NAME
<div style="border: 1px solid black; height: 20px; width: 100%;"></div>	<div style="border: 1px solid black; height: 20px; width: 100%;"></div>	<div style="border: 1px solid black; height: 20px; width: 100%;"></div>
<b>Provider:</b>		
SIGNATURE	DATE	PRINTED NAME
<div style="border: 1px solid black; height: 20px; width: 100%;"></div>	<div style="border: 1px solid black; height: 20px; width: 100%;"></div>	<div style="border: 1px solid black; height: 20px; width: 100%;"></div>
* This section does not apply to residents receiving Medicaid, as this is either covered by Medicaid or not applicable to residents paying Medicaid.		
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ADULT FAMILY HOME DISCLOSURE OF CHARGES REQUIRED BY RCW 70.128.280 DSHS 15-648 (REV. 08/2021)		

## Module 3 – Becoming a Business

### Financial WAC Requirements

The following WACs only include the reference to your financial obligations. Click on the links to see the WAC in its entirety.

[WAC 388-76-10000](#) – Definitions

**"Financial solvency" means that the applicant or provider is able to meet debts or financial obligations with some money to spare.**

[WAC 388-76-10020](#) – License – Ability to provide care and services

The provider must have the:

(2) **Ability to meet all personal and business financial obligations.**

[WAC 388-76-10035](#) – license requirements – Multiple adult family home providers

The department will only consider an application for more than one home if the applicant has:

(4) **A demonstrated history of financial solvency** related to the ability to provide care and services

[WAC 388-76-10125](#) License – May be denied.

The adult family home license may be denied if the applicant or the applicant's spouse, domestic partner, or any partner, officer, director, managerial employee, or majority owner of the applying entity:

(19) **Failed to meet financial obligations** as the obligations fell due in the normal course of owning or operating a business involved in the provision of care and services to children or vulnerable adults;

(20) **Has failed to meet personal financial obligations**, or if the applicant is an entity, has failed to meet the entity's financial obligation, or both;

(22) **Has not demonstrated financial solvency** or management experience in its currently licensed homes, or has not demonstrated the ability to meet other relevant safety, health, and operating standards pertaining to the operation of multiple homes, including ways to mitigate the potential impact of vehicular traffic related to the operation of the homes;

[WAC 388-76-10915](#) – Department staff access – Willful interference prohibited.

The adult family home must ensure:

(1) Department staff have access to:

(d) **Financial records of the business** if good cause to believe that a financial obligation related to resident care or services will not be met

[WAC 388-76-10960](#) – Remedies – Department may impose remedies

The department may impose a remedy or remedies if the department finds any person listed in

WAC [388-76-10950](#):

(20) **Failed to meet financial obligations** as the obligations fell due in the normal course of owning or operating a business involved in the provision of care and services to children or vulnerable adults

(21) **Has failed to meet personal financial obligations** and that failure has resulted in a failure to provide necessary care and services to the residents

## Module 3 – Becoming a Business

[WAC 388-76-10970](#) – Remedies – Specific – Condition(s) on license.

(2) Conditions or limits the department may impose on a license include, but are not limited to, the following:

(h) Demonstration of **ability to meet financial obligations** necessary to continue operation.

Resources: Business

- [Small Business Administration - SBA – Learning Center](#) This site has several short videos for developing your business including how to write your business plan
- [Labor & Industries](#)
- [Secretary of State](#)
- [Business Licensing Service](#)
- [Internal Revenue Service](#)
- [IRS Tax Information for Businesses](#)
- [Homepage | SCORE](#) - The SCORE Association. “Counselors to America’s Small Business”, is a nonprofit association. SCORE members are trained to serve as counselors’, advisors, and mentors. These services are offered at no fee, as a community service.
- Add your AFH to Google Maps and Google My Business pages:  
<https://www.google.com/business/>

*Thanks to North Seattle College, AFH Administrator program  
for their contributions to this module.*

## Test Your Knowledge

### True or False



1. A mission statement provides the “what,” the “who,” and the “why,” of your company.
2. Startup costs are how much money you need to “open your doors”.
3. The Disclosure of Services Form is an optional form to help resident understand your services.

## Get Ready for Your Next Class



- **ASSIGNMENT #5:** Do a 12-month projection and cash flow statement for your business
- Read assigned modules
- Review modules 1, 2, and 3 for Quiz #1

## Acronyms Used in this Module

Acronym	Description
COGS	Cost of Goods
IRS	Internal Revenue Service
DSHS	Department of Social and Health Services
DDA	Developmental Disabilities Administration
RCS	Residential Care Services
HCA	Home Care Aide

### Revision Table

Date	Volume	Changes	Page(s)
1/2025	V5.2	• Updated this sentence to add vision for the “why” (pg. 4): A mission statement provides the “what,” the “who,” and the vision, the “why,” of your company.	4
		• Updated SmartZone information	8
		• Repaired/revised links – throughout	