

SMALL BUSINESS NEWS



CENTER *for* RURAL AFFAIRS

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CENTER *for* RURAL AFFAIRS

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On the cover: Montana Thatcher, owner of Tana's Tiny Tots in Fairfield, Nebraska | Photo by Kylie Kai

Separating personal and business finances

By Kim Preston | Jessie Eby contributed to this article



Whether you're brand new or have been operating for years, here's why financial separation matters and how to make it happen.

▶ Why should I separate my business and personal finances?

Accounting clarity: When business and personal funds are mixed, it becomes very difficult to track which expenses are legitimate business deductions and which can lead to higher tax payments. It also lets you see missed deductions and avoid extra scrutiny from tax authorities.

Protecting your assets: Co-mingling your personal and business finances could result in you forfeiting the legal protections provided by your business structure. The corporate veil doctrine protects your personal assets from potential business lawsuits, but this protection is void as soon as you use your business account for personal expenses or vice versa.

Establishing credibility: If your business requires a loan, investors, lenders, and banks will require clear financial records to determine your business's financial health. If your personal and business funds are tangled, it can raise red flags about how your business is managed.

▶ When should you open a business account?

Many new business owners assume they can wait until they "go full-time" or form an LLC to open a business account, but the sooner you differentiate your finances, the better.

Even sole proprietors, who aren't legally required to open business accounts, benefit from the clarity and organization it brings. Plus, if the business grows or faces an audit, having clean financial records can save a lot of headaches down the road.

▶ How to separate your business and personal finances

Apply for an EIN: As soon as you choose a business structure and officially establish your business, you can apply for an Employer Identification Number (EIN). This number serves as your business's federal tax identification number, similar to how a Social Security Number identifies an individual.

You can apply for an EIN directly from the Internal Revenue Service for free. Beware of websites that charge for an EIN.

Open a business bank account: You can open a bank account for your business as soon as you've received your EIN.

Set up utilities and contracts in your business's name: Any service or contract you use for your business should be in your business's name and paid from your business account. This reinforces your business's independent status and makes bookkeeping simpler.

Use of personal items: If you use personal assets for business purposes (like your car or a home office), track that use carefully.

Learn more about separating accounts at cfra.org/blog/separating-personal-and-business-finances.



Montana Thatcher, owner of Tana's Tiny Tots, participated in the Center's Childcare Accelerator Program. Her business slogan is "keeping the wheels of imagination turning," which, for Montana, is what child care is all about. | Photos by Kylie Kai

New business owner learns from Center's Childcare Accelerator Award Program

By Liz Stewart

From sunup to sundown, you'll find Montana Thatcher at her day care, Tana's Tiny Tots, diligently watching over the children of 24 families from the Fairfield, Nebraska, area.

Along with her six full- and part-time employees, Montana spends five days a week helping shape the minds of children from 6 weeks to 10 years old. She splits the kids by age into two classrooms with two different curriculums that offer age-appropriate lessons to help with basic skills, plus prepare the older children for schoolwork.

While that might sound exhausting to some, the 24-year-old thrives on being surrounded by such youthful energy.

"I have always loved being around kids," Montana said. "When I was

younger, I'd be the one helping babysit or watch the kids. It's so fun to interact with them and see their minds work—they always seem so eager to learn."

Montana took over the day care in February 2023 after working there for more than three years. When her boss offered to sell her the business, she was able to buy it with financing assistance from the Center for Rural Affairs.

Recently, she crossed paths with the Center again, participating in a Childcare Accelerator Award Program presented by the Center's Women's Business Center (WBC), Stearns Bank, and the Association of Women's Business Centers.

Designed to assist licensed child care providers in scaling operations,

expanding services, and improving sustainability in their communities, the program included 10 Nebraska child care providers. Owners had the opportunity to attend sessions where they engaged in hands-on training, personalized technical assistance, and guidance in financial services.

The Center's WBC was among seven across the country selected to serve as accelerator hubs and to receive grant funding.

"This innovative program comes at a critical time, as access to dependable and affordable child care remains a major issue across the country and in rural communities," said Jessica Campos, Center WBC director.

For Montana, the most impactful part of the program has been working on the financial side of her business.

Montana enjoyed the early learning guideline courses as well, as she and her staff were able to improve their skills. Upon completing the program, participating child care businesses each received a \$10,000 Childcare Accelerator Award Program Grant by Stearns Bank.

The stipend has gone to good use at Tana's Tiny Tots, as upkeep on any business takes significant effort and financial support.

New carpet was installed this winter, and soon Montana wants to change the outdoor playground surfacing. She has also done necessary upgrades like updating the playground equipment and painting.

"Being a day care owner isn't just a job to me, it's a labor of love and a true reflection of my passion," Montana said. "Running a day care in a rural



community can be challenging just for advertising openings or getting employees without having the broad reach that the bigger cities can offer. We rely on the community and our families to help advertise by word of mouth."

Having a network of support is important to Montana, within her town and beyond. Taking part in the Childcare Accelerator Award Program demonstrated just how far that support can reach.

"My biggest takeaway would be the community (of providers created) within this program, as well as the connection the Center for Rural Affairs created with the bank who helped with the grant," she said. "The benefits aren't only financial—it's wonderful to see everyone help support us day cares and give us the resources we need to continue doing what we love."

The Childcare Accelerator Program in Nebraska was held in partnership with Sixpence Early Learning Fund and Nebraska Educational Service Units.

Feature Story

Understanding Profit and Loss statements

By Kim Preston | Rhea Landholm and Jessie Eby contributed to this story

As small business owners, it's easy to get caught up in the day-to-day. One tool to step back and see beyond the daily demands is a profit and loss statement, sometimes referred to as a P&L.

Creating a P&L allows you to see both income and expense information in one place. When this information is combined, it can help entrepreneurs clearly understand how their businesses are performing.

► What is a P&L?

A P&L is a financial report that shows how much money a business has earned and spent over a specific period of time—typically monthly or quarterly. The statement is often reviewed year to date, and may include other time periods for comparison.

Income and expenses are summarized to reveal whether the business made a profit or a loss. This statement helps owners understand their businesses' performance and then make informed decisions for the future. It helps them identify what is working, what is not working, and what can or should be adjusted for growth.

► What information is included in a P&L?

The P&L has two sections: income (profit) and expenses (loss).

Income includes all the money a business earns from its normal operations before expenses are deducted. Common income items include: sales or service revenue, fees or commissions, interest income, and other operating income.

Expense includes all the costs a business incurs to operate and generate income. Common expense categories are cost of goods sold (COGS), such as materials including inventory or labor directly tied to producing goods or services; payroll and contractor costs; occupancy costs; operating expenses; marketing and advertising; professional services; insurance and licenses; transportation and travel; and interest and depreciation.

► Why are P&Ls important?

By reviewing revenue alongside expenses, the owner can see whether the business is operating at a profit, breaking even, or running at a loss.

► How is a P&L different from a balance sheet or cash flow statement?

A **balance sheet** provides a snapshot of the business at a specific point in time. It shows what the business owns (assets), what it owes (liabilities), and the owner's equity (assets minus liabilities). Rather than measuring performance, it reflects the business's financial position and overall stability.

Regular review of the balance sheet shows whether the business is building value, carrying too much debt, or maintaining enough resources to meet its obligations. You should review your balance sheet at least once a year.

A **cash flow statement**, by contrast, tracks the actual movement of cash in and out of the business. It shows when money is received from customers and when it is paid out for expenses, loan payments, or investments. A business

can appear profitable on a P&L but still struggle with cash flow if customers pay slowly or large expenses are due before cash is collected.

The cash flow statement shows whether the business has enough cash on hand to operate day-to-day and meet obligations as they arise.

► How does a P&L help with decision making, pricing, budgeting, etc?

When a business owner reviews income alongside direct costs and operating expenses, they can quickly see their true profit margins. This allows them to evaluate whether current prices cover costs and generate enough profit to support owner pay, reinvestment, and/or growth. If margins are thin or declining, the P&L can signal when a price adjustment or change in product mix may be necessary.

When budgeting, the P&L provides a realistic baseline. Historical revenue and expense patterns help business owners forecast future performance and set achievable spending limits, plus, they identify which expenses are fixed and which fluctuate with sales, making it easier to plan for slow periods or growth.

► How often should you update your P&L?

Update and review your P&L on a regular basis, whether monthly or quarterly.

► What questions should you be asking each time you review your P&L?

Start by looking at the big picture: Is the business profitable this period, and how does that compare to prior months or the same time last year? If revenue has changed, what specifically drove the increase or decrease?

Next, dig into margins and expenses. Which products or services are generating the most profit, not just the most sales? Are costs increasing faster than revenue, and if so, where and why? Ask whether expenses are aligned with growth goals—are you investing in areas that support revenue, or carrying costs that no longer add value?

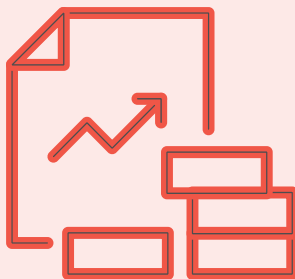
Finally, use the P&L to inform forward-looking decisions. What adjustments to pricing, spending, or strategy could improve profitability in the next period?

Regularly asking these questions turns the P&L from a report into a growth tool, leading to intentional, informed decisions rather than reacting after problems arise.

► What resources does the Center have for small business owners?

The Center for Rural Affairs Women's Business Center provides free services to all Nebraskans to help entrepreneurs and small business owners start and grow successful businesses. Funds from the Small Business Administration and private donors enable us to work in communities across the state.

Read more about P&Ls at cfra.org/blog/understanding-profit-and-loss-statements. 📄



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Housing development loans

The Center is now lending in housing development, financing both affordable housing and workforce housing. Visit cfra.org/housing-development-loans for more.

Business development services

Business counseling

Business development specialists are available for free consultations on business troubleshooting, cash flow and budget, loan packaging, and more.

Loan specialists

We have a statewide network of loan specialists ready and willing to help you along your small business journey. Find your specialist on pages 10 and 11.

Events and networking

We host various workshops and networking opportunities focused on small businesses. To stay up to date, visit cfra.org/events.



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Did you know?

Center for Rural Affairs is a certified Community Development Financial Institution (CDFI)

By Rhea Landholm

While the Center for Rural Affairs has been lending to small businesses since 1990, it created an accompanying legal entity, Community Capital, in 2013 to extend lending in rural communities. The Center then received its CDFI certification to strengthen its approach to lending, education, and technical assistance.

All CDFIs are certified by the U.S. Department of the Treasury, in part to ensure that at least 60% of borrowers are part of an underserved target market who may not otherwise have access to affordable loans.

Earlier this year, after a two-year process, the Center received its renewed certification agreement.

In 2024, the U.S. Department of the Treasury's Community Development Financial Institutions Fund released an updated CDFI certification application designed to increase flexibility and transparency in the CDFI certification process.

Two important revisions were added to the certification process:

1. Reforms to prevent borrowers from being taken advantage of by predatory lenders, motivated by profit over the core mission of serving low-income and underserved communities.
2. Applicants were required to submit information on their financing practices to meet the CDFI certification requirements for responsible reporting standards.



By obtaining recertification under more strenuous requirements, the Center demonstrates its commitment as a mission-driven lender, filling gaps in mainstream finance to build wealth and revitalize rural communities.

As a CDFI lender, the Center specializes in lending to individuals, organizations, and businesses in under-resourced communities, offering clients financial education, business coaching, and access to affordable capital.

Visit cfra.org/certified-cdfi to learn more. 📄

News

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**Our team serves
small businesses
across Nebraska!**

Lending Team



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