

Financial & Human Resource Management Workshop

Presented by:



Presenters

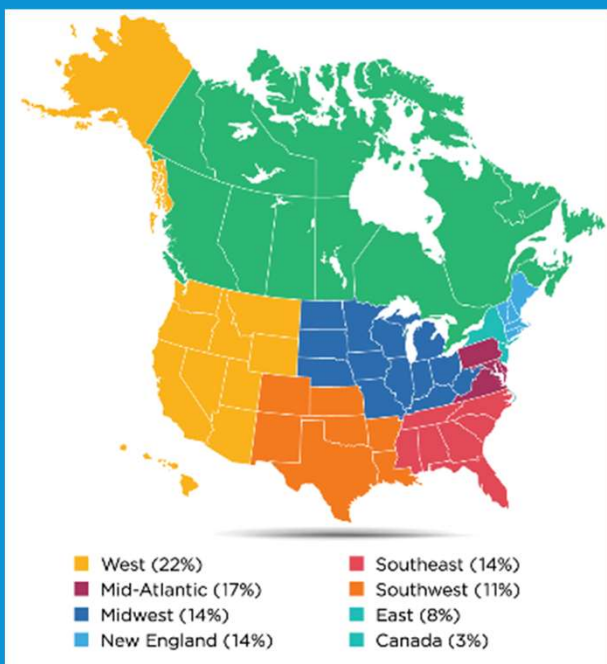


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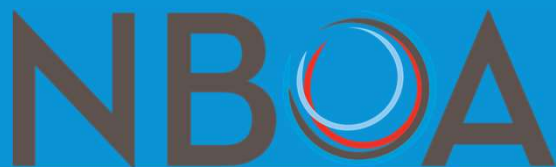
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The National Business Officers Association is the only national nonprofit membership association focused exclusively on supporting independent school business officers and business operations staff while fostering financial and operational excellence among independent PK-12 schools.

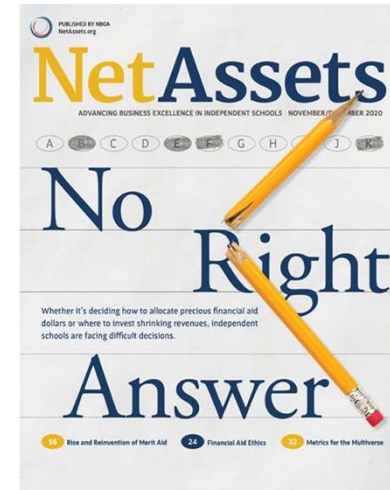


National Business Officers Association



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Topics



MANAGING A LEAN BUSINESS
OFFICE



NET TUITION REVENUE AND
MODELING SUSTAINABILITY

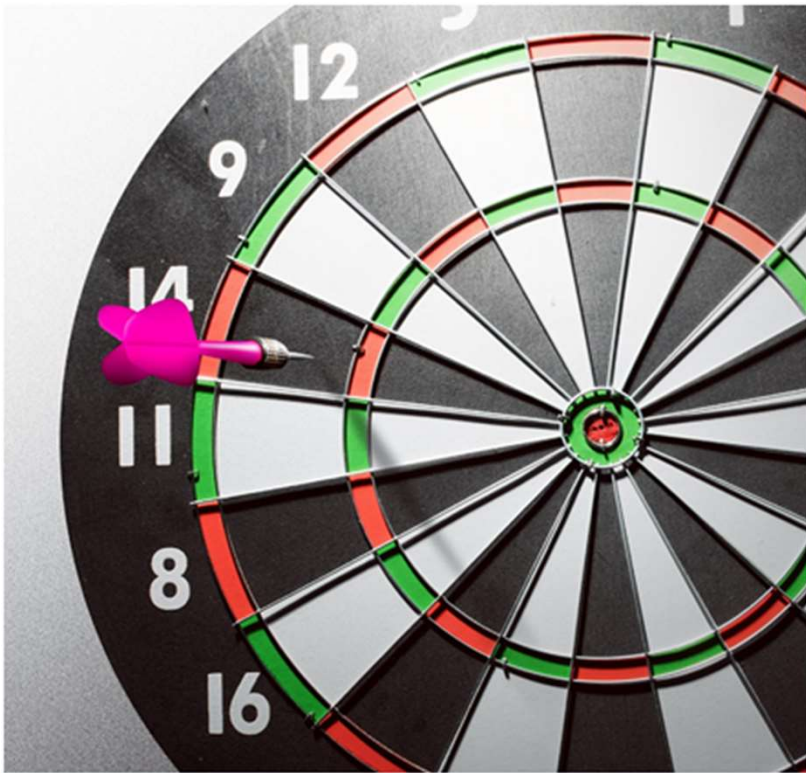
Managing a Lean Business Office

We are not offering legal or financial advice, and if you think you are at risk, you should consult your school counsel or financial advisor.

While we offer expertise in personnel issues and school finances based upon our experience and training, you may be subject to state and local laws that are not addressed in this presentation.

Before implementing any new policies or procedures, it is always best practice to consult your legal counsel and/or financial advisor.

Employee Supervision is Multifaceted



- Risk Management
 - Leave Law Compliance
 - Avert Discrimination Claims
- Motivation & Growth
 - Morale
 - Productivity
 - Retention



Polling Question

How long does it take to hire a new employee at your school?



Less than three weeks

Three weeks

A month

A month and a half

2 months

Longer than that



Time Off is Healthy and Needed

Why they're taking time off doesn't matter. Instead, ask if the job is getting done.

Stop making your job harder.



Accommodations and the ADA

When an ADA accommodation is requested, ask yourself:

- Will the individual be able to perform the essential functions of the job?
- Will the accommodation change the fundamental nature of the job or require modifications to the school's mission or pedagogy?
- Will providing the accommodation require a level of resources that would constitute undue hardship for the school?

“These factors include nature and cost of accommodation in relation to the size, resources, nature, and structure of the employer's operation.”

Polling Question

Did we need to offer an accommodation to Cheryl?

Yes

No

I honestly don't know

That's what HR is for

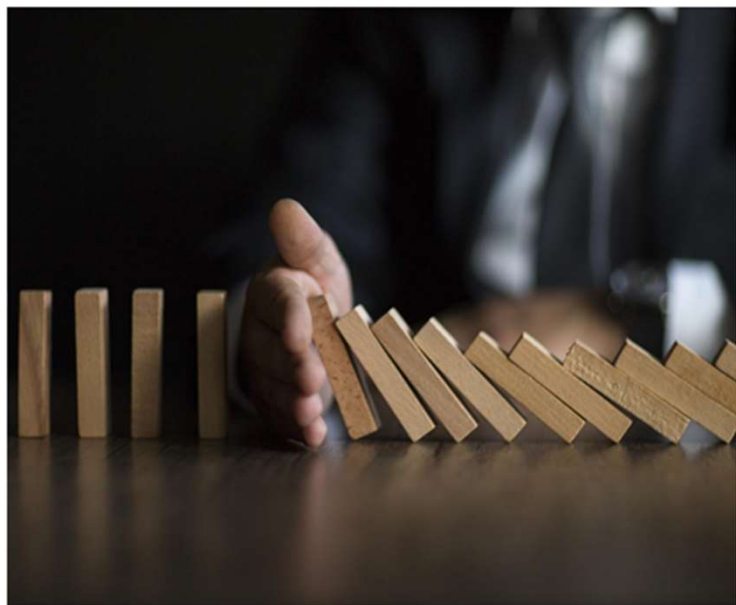
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Performance Management is **Not** an Annual Conversation



- Regular performance conversations build trust
 - Feedback should always be timely
 - Have intentional conversations and focus on the “why”
 - Use all of your communication tools when giving feedback
 - Emotional managers make poor decisions
-

Motivation Theory

(Courtesy of Frederick Herzberg)

Motivating Factors (Satisfiers)

Achievement

Recognition

Work Itself

Responsibility

Advancement

Growth

Hygiene Factors (Dissatisfiers)

Company Policy

Supervision

Working Conditions

Interpersonal Relationships at Work

Salary and Benefits

Job Security

Polling Question

Do you feel like you have the tools to be a good supervisor?



Yes

Yes, but I don't have the time

I think so

I honestly don't know

Not yet

Thank you, ACIS!



**MANAGING A LEAN
BUSINESS OFFICE**

Net Tuition Revenue & Modeling Sustainability

The NBOA Definition of Financial Health



Financially healthy schools have resources to **sustain their operations for the long term**, relative to their individual missions.

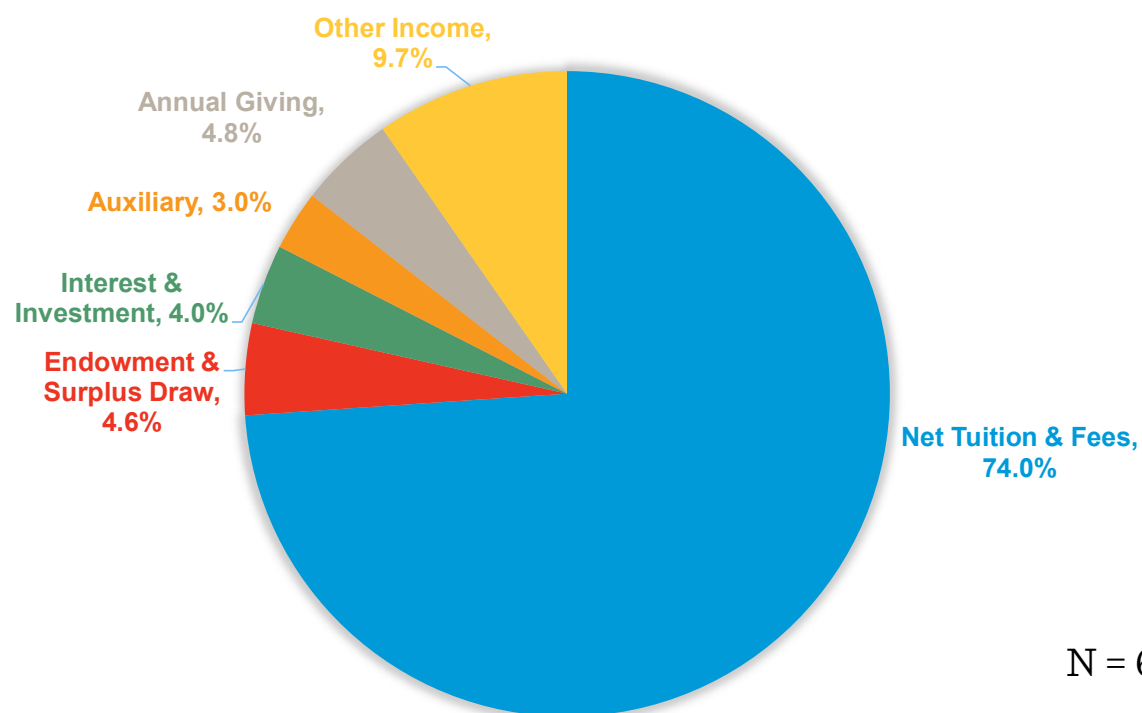


These schools have successfully developed and implemented **financial plans for both operations and facilities**.

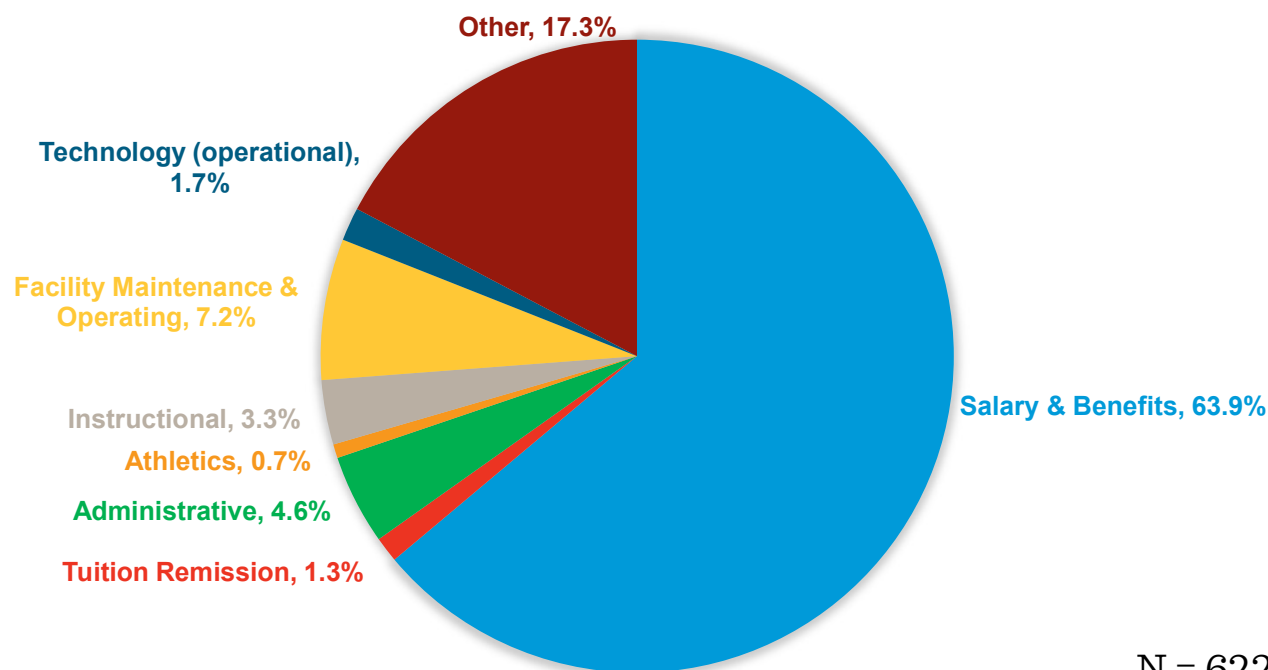


These plans, funded in part with tuition and fees, also maintain financial reserves which **adequately cover all current and projected future obligations**.

Independent School Income by Category 2020-21 School Year



Independent School Expenses by Category 2020-21 School Year



N = 622 schools

Independent School Finance: Dispelling Myths and Understanding Realities



“Not-For-Profit” does not equal “For-Loss”



The independent school business model isn't ideal



We are in the “ultimate people business”



We too often equate quality learning with class size



We are all on financial aid



What does it mean to have an endowment?

The Traditional Independent School Business Model

Net Tuition is the average amount your school collects per student after considering financial aid, merit scholarships, and tuition remission offsets.



$$\begin{array}{ccccccc} \text{Cost to Educate} & - & \text{Published Tuition Price} & - & \text{Tuition Discounts} & = & \text{Net Tuition} \\ \text{Per Student} & & \text{Per Student} & & \text{(FA/Merit/Remission)} & & \text{Per Student} \end{array}$$

The Problem in Easy Numbers: A Common Day School

Example: ABC Day School;

350 Students

Cost to educate each student = \$30,000

Published Tuition = \$28,000 or (\$2,000)

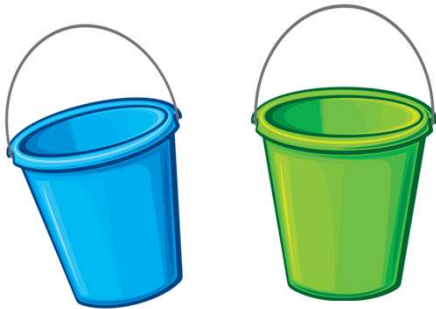
Financial Aid/Tuition Remission =

(\$5,000 per student, **a tuition discount rate of ~17.5%**)

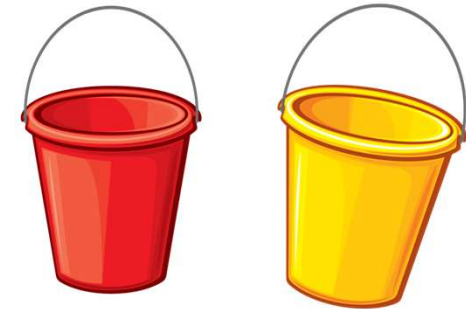
Net Tuition = \$23,000 per student

Gap = (\$7,000) per student

Total Gap = (\$2,450,000)



Filling the Gap



Endowment:

\$100 million

\$10 million

\$1 million

Zero

..... 4 percent endowment spend across the board.....

\$4,000,000

\$400,000

\$40,000

Zero

Fundraising: Annual Fund, Annual Events, Capital Campaigns

Auxiliary Services: Before/After School Programs, Summer Programs, Facility Rentals, Bookstore, Faculty Housing, etc.

Reconsidering the Business Model: Levers to Pull



Increase

Number of Students Per Classroom
Teaching Load
Employee Contributions for Benefits



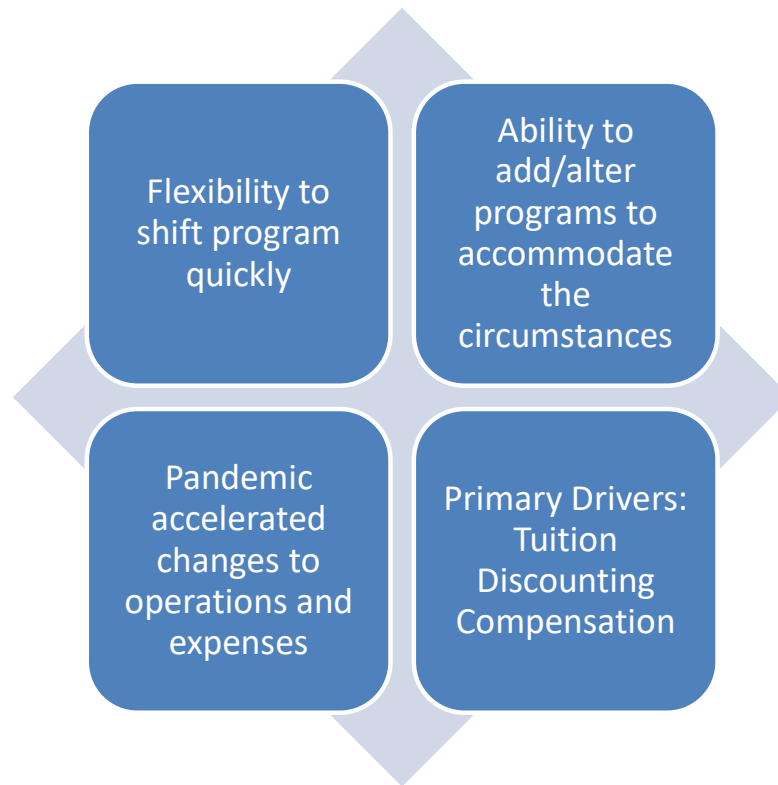
Reduce

Faculty FTE
Staff / Admin FTE
Planned Salary Increases
Salaries
Benefits

Disruptors, Further Challenging the Business Model



Considerations for a New Model



Net Tuition Revenue Model

- ❑ NTR model combines enrollment management with financial sustainability
- ❑ Must align the value proposition and mission with the marketing
- ❑ Use the model to spread the impact of financial aid more evenly over the student body



Tuition Guarantee Model

- ☐ Tuition held constant for several years for a student
- ☐ Flat tuition in exchange for a commitment of a period of years
- ☐ Financial aid is traditional model, but stays constant over same period
- ☐ Best by division

Entrance Year	9th Grade	10th Grade	11th Grade	12th Grade
9th Grade				
10th Grade				
11th Grade				
12th Grade				

Tuition Reset



- ☐ Reducing the tuition price for all or most
- ☐ Consider this when:
 - ❖ net tuition level is decreasing while offering increasing amounts of aid.
 - ❖ enrollments are flat or declining

Indexed Tuition

- ☐ Tuition Ranges
- ☐ Every family pays some minimum percentage or dollar amount
- ☐ Increases the percentage of families paying less than the published tuition price



Polling Question

If you were starting your school from scratch, which tuition model presented would you use?

Net Tuition Revenue Model

Tuition Guarantee Model

Tuition Reset

Indexed Tuition

Keep my school's current model

Polling Question

Given your school's current situation, which of these models would be most well received by your board of trustees, finance committee, and head of school?

Net Tuition Revenue Model

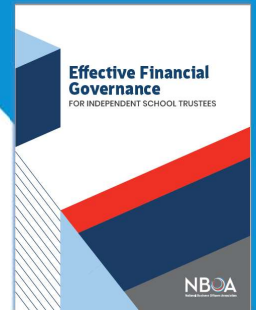
Tuition Guarantee Model

Tuition Reset

Indexed Tuition

None of the above

Key Topic: Financial Health and Performance



Establish an acceptable level of ranges for metrics and receive information on the related drivers to focus conversation on the school's strategic direction.

- Define the financial metrics and measures that are significant to success since there are no standard measures like there are for for-profit entities.
- Expendable net assets represent equity that can be spent for operations and debt coverage.
- Jointly developing the school and program-level financial metrics will help the board understand the metrics thoroughly and the business officer will benefit from board members' expertise.

Financial Health and Performance

How are financial health and performance defined and measured?

What drives financial health and financial performance?

What do the financial health and financial performance measures indicate?

What are the desired levels of financial health and financial performance?

How do financial health and performance measures correlate with the strategic financial plan?

Are the measures used by our school common for other schools? Are these benchmarked over time?

Are the same metrics used for internal reports versus external reports (i.e., audited financial statements)?

Resource Allocation: Planning Post-COVID



What investments can be leveraged as we look ahead?



Do pandemic investments align with the strategic plan?



Is the current allocation of resources sustainable for generations to come while appropriately serving current students?



Can new revenue streams be generated effectively from the investments?



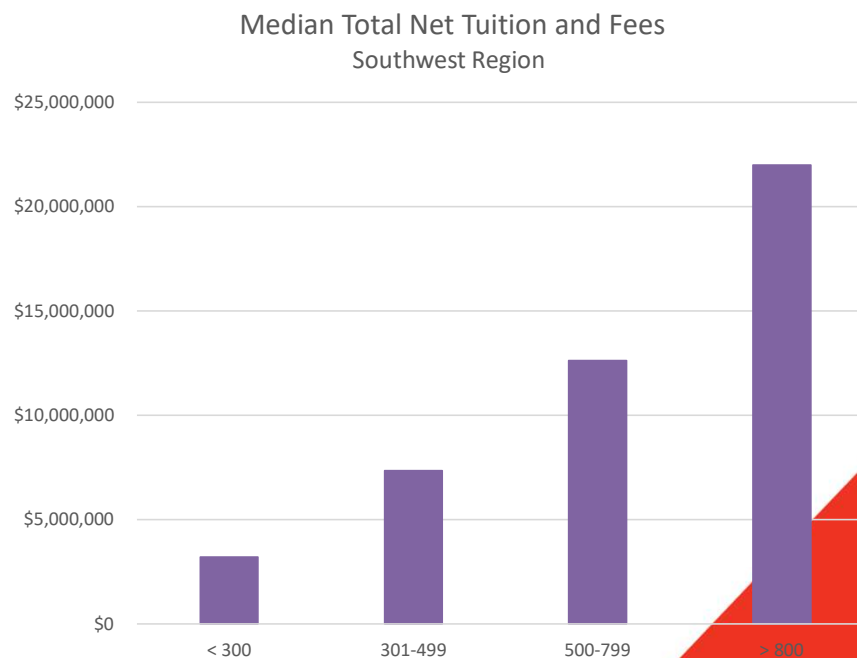
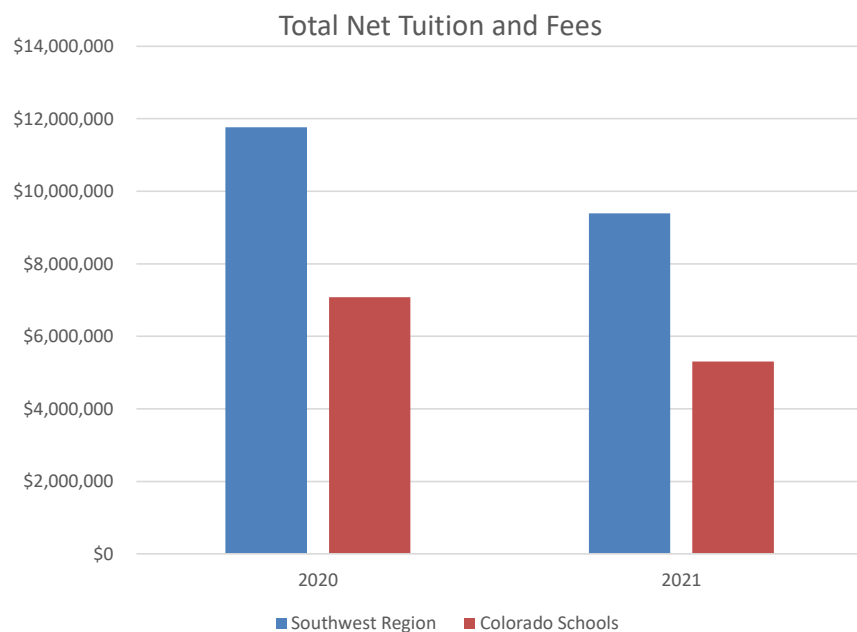
Are the school's investments in new initiatives balanced among existing divisions?



BIIS Demographic Reports & Additional NBOA Resources

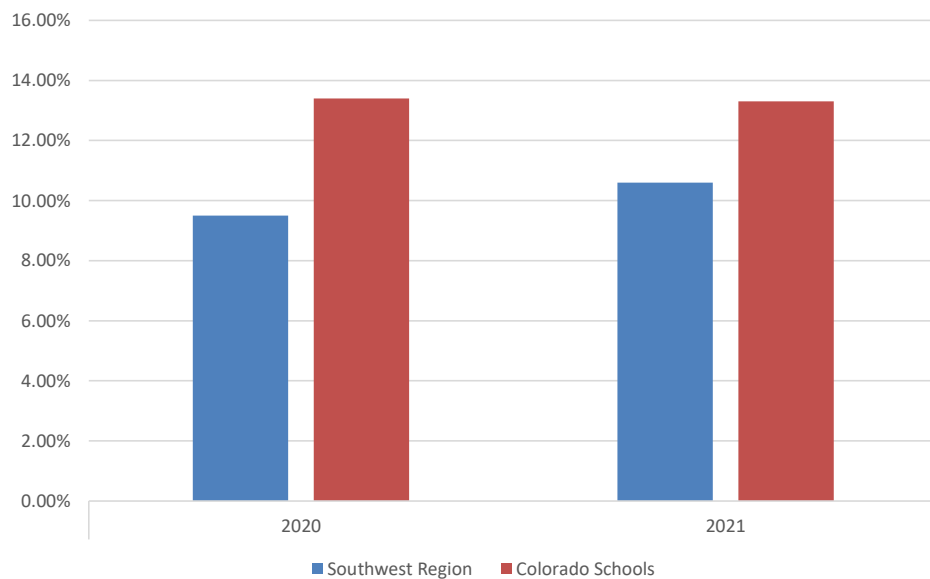


Net Tuition and Fees

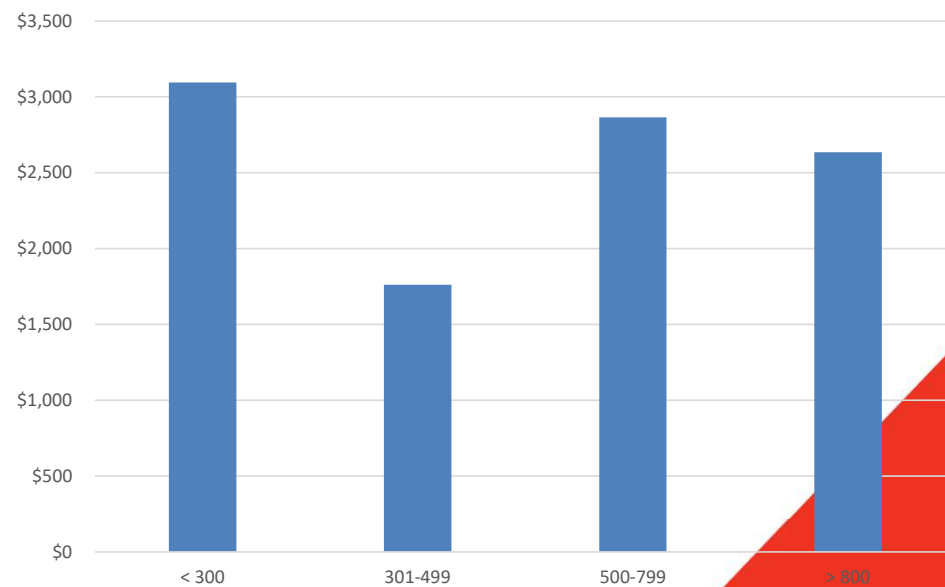


Financial Aid

Median Financial Aid as a % of Gross Tuition & Fees

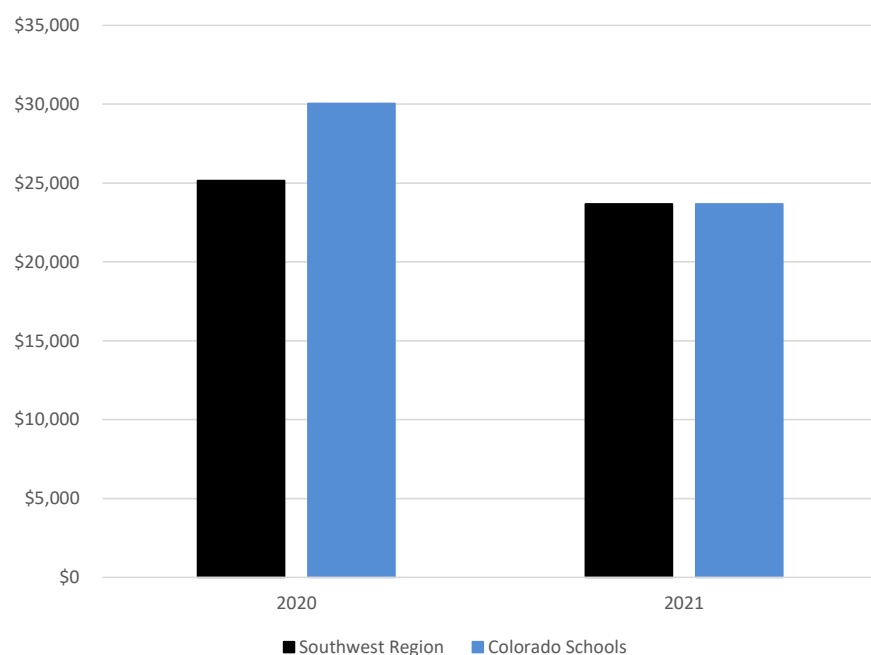


Median Financial Aid Per Student
Southwest Region

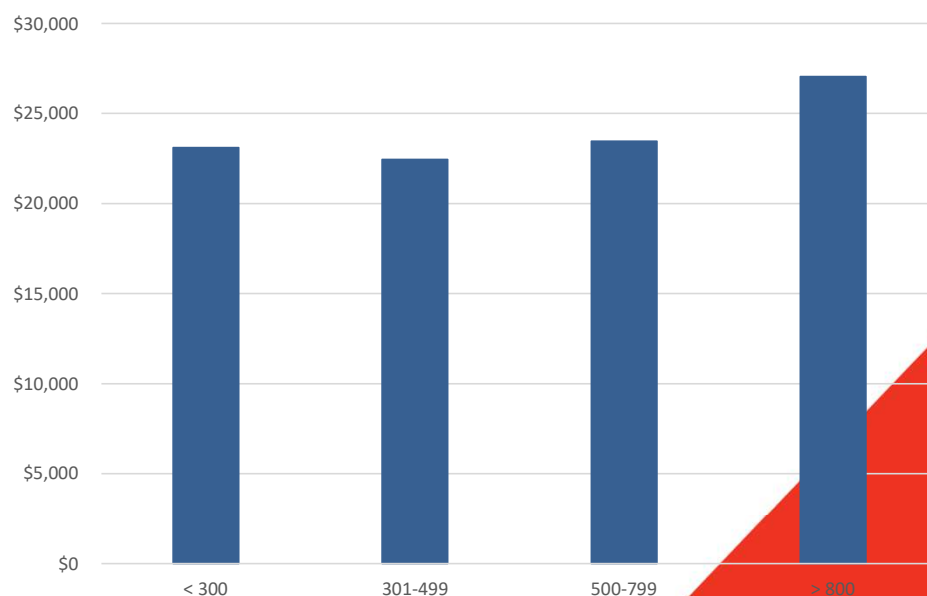


Total Expenses per Student

Median Total Expenses Per Student



Median Total Expenses Per Student
Southwest Region



Tools that can elevate your work



- The NBOA Financial Dashboard for Independent Schools
- Composite Financial Index Calculator
- Long-Range Financial Model for Independent Schools
- NBOA Demographics Reports



This easy-to-use, customized ten-year budget model, available as an Excel spreadsheet, creates real-time forecasts for tuition, enrollment, FTEs, plant replacement and more. There is also a webinar to help familiarize yourself with the tool.

Instructions: Enter assumptions for next 10 years in high lighted area. Once initial entries are complete enter CTRL Q to reset baseline number so you can see effect of future changes.										
	Current Yr	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9
Baseline Net Income	-1,446,344	(798,099)	(792,248)	(778,643)	(764,563)	(750,191)	(735,599)	(720,824)	(705,830)	(690,600)
Change to Baseline Net Income		450,000	250,000	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)
Assumed Inflation Rate		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Enrollment Adds for Prekindergarten		0	0	0	0	0	0	0	0	0
Enrollment Adds for Kindergarten		0	0	0	0	0	0	0	0	0
Enrollment Adds for Grades 1 - 3		0	0	0	0	0	0	0	0	0
Enrollment Adds for Grade 4		0	0	0	0	0	0	0	0	0
Enrollment Adds for Grades 5 - 8		0	0	0	0	0	0	0	0	0
Enrollment Adds for Grades 9 - 12		0	0	0	0	0	0	0	0	0
Tuition % Increase over Inflation Prekindergarten		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Tuition % Increase over Inflation Kindergarten		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Tuition % Increase over Inflation Grades 1 - 3		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Tuition % Increase over Inflation Grade 4		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Tuition % Increase over Inflation Grades 5 - 8		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Tuition % Increase over Inflation Grades 9 - 12		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Tuition % Increase for Prekindergarten		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Tuition % Increase for Kindergarten		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Tuition % Increase for Grades 1 - 3		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Tuition % Increase for Grade 4		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Tuition % Increase for Grades 5 - 8		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Tuition % Increase for Grades 9 - 12		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Tuition Remission as a % of Gross Tuition	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Financial Aid as a % of Gross Tuition	32.8%	32.8%	32.8%	32.8%	32.8%	32.8%	32.8%	32.8%	32.8%	32.8%
New Revenue Items		0	0	0	0	0	0	0	0	0
Annual Giving & Support	880,000	880,000	880,000	880,000	880,000	880,000	880,000	880,000	880,000	880,000
Estimated Return on Endowment	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Cash Gifts & Additions to Endowment	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Spending Rate from Endowment (Yr Trailing Avg.)	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%
Spending Rate as a % of Beginning Endowment Value		3.6%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Faculty Salary % Increase over Inflation		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Administrative Salary % Increase over Inflation		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
All Other Salary % Increase over Inflation		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Faculty Salary % Increase		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Administrative Salary % Increase		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
All Other Salary % Increase		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Additional Faculty FTE's		0	0	0	0	0	0	0	0	0
Additional Administrative FTE's		0	0	0	0	0	0	0	0	0
Additional All Other FTE's		0	0	0	0	0	0	0	0	0
Faculty FTE's	55	55	55	55	55	55	55	55	55	55
Administrative FTE's	17	17	17	17	17	17	17	17	17	17
All Other FTE's	13	13	13	13	13	13	13	13	13	13
Salary Adjustments		0	0	0	0	0	0	0	0	0
Health Insurance % Increase		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Retirement % Increase		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Tuition Remission as a % of Gross Tuition	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other Benefits % Increase		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% Increase over Inflation for Educational expenses		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Resources for Reporting: Heatmap



Sample School					
Financial Sustainability Heat Map					
As of June 30...	GOAL	2019-2020	2018-2019	2017-2018	2016-2017
Sustainability Ratio	>1.0	0.89	0.95	1.06	1.12
Net assets/expenses					
Do we have financial flexibility?					
Deferred Revenue Coverage	>1.0	0.44	0.56	0.65	1.10
Unrestricted cash/deferred revenue					
Do we rely on next year's tuition to fund current expenses?					
Net Tuition Revenue Coverage	>80%	76.20%	77.54%	79.22%	82.34%
Net tuition/total possible gross tuition for full school					
Does our customer value us?					
Liquidity Ratio	>6	2.59	3.21	4.00	4.2
Unrestricted cash/monthly expenses					
Do we have financial flexibility?					

Financial Sustainability — Heat Map	GOAL	2014- 2015	2013- 2014	2012- 2013	2011- 2012	2010- 2011	2009- 2010	2008- 2009	2007- 2008
EQUITY-TO-DEBT RATIO									
Net assets/debt	> .6	4.4	4.2	3.1	3.0	2.2	2.1	1.8	3.0
<i>Are we meeting our bank-required debt covenant?</i>									
BALANCED BUDGET									
Total operating revenues/total operating expenses	>1.0	1.0	1.0	1.1	1.1	1.0	1.0	1.0	1.0
<i>Are we balancing the budget?</i>									
BALANCE SHEET GROWTH									
% growth in net assets	> 5%	15%	19%	11%	12%	10%	5%	1%	0%
<i>Are we an advancing institution?</i>									
DEBT COVERAGE RATIO									
Cash available for debt service/Interest, principal	>1.3	13.9	3.1	14.3	6.8	6.2	0.8	0.2	1.2
<i>Are we meeting our bank-required debt covenant?</i>									
SUSTAINABILITY RATIO									
Net assets/expenses	> 1.0	1.2	1.2	1.0	1.1	0.8	0.7	0.6	0.6
<i>Do we have financial flexibility?</i>									
ENDOWMENT FLEXIBILITY RATIO									
True endowment FMV/permanent restrictions	> 1.0	1.1	1.1	1.0	0.9	0.9	0.9	0.8	1.0
<i>Are we good stewards of our permanent funds?</i>									
DEFERRED REVENUE COVERAGE									
Cash/deferred revenue	> 1.0	1.0	1.0	0.9	0.6	0.4	0.3	0.2	0.2
<i>Do we rely on next year's tuition to fund current expenses?</i>									
PLANNED GIVING GROWTH									
Growth rate of committed donors in Heritage Society	>5%	7%	3%	5%	12%	3%	6%	13%	33%
<i>Are we an advancing Institution?</i>									
NET TUITION COVERAGE									
Net tuition/total possible gross tuition for full school <i>Does our customer value us?</i>	>80%	74%	75%	77%	81%	84%	85%	88%	86%

Questions, Comments, Compliments!

Get access to related business and HR resources
+ 10% off NBOA's Effective Financial
Governance for Independent School Trustees



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Or Go To:



<https://go.nboa.org/NBOAontheroadACIS>

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