



National Business Officers Association

Before, During, and After the Pandemic: A Business Perspective

SAIS ANNUAL CONFERENCE

ATLANTA, GEORGIA

OCTOBER 19, 2021

Jeff Shields, FASAE, CAE

President and CEO



- **20+ years of experience** working with business officers in higher education and independent schools
- **NBOA President and CEO for over 10 years**
- **NBOA serves 1,300+ US independent schools and 250 other schools and organizations** around the globe
- NBOA is 19 FTE, \$5 million budget, headquartered in Washington, DC
- Previously **Senior Vice President**, National Association of College and University Business Officers (NACUBO)
- **Certified Association Executive (CAE)** and **Fellow**, American Society of Association Executives (FASAE)
- **Director**, ASAE and the ASAE Foundation (2019-Present)
- **Trustee**, Enrollment Management Association (2020-Present)
- **Former Trustee**, One Schoolhouse (2013-2020) and Georgetown Day School (2013-17)



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.



- NBOA is dedicated to developing, delivering and promoting best business practices to advance independent schools.
- The association has grown from 23 founding member schools in 1998 to more than 1,400+ member schools
- The association offers in-person programming; online professional development; original research; and Net Assets.



West (22%)	Southeast (14%)
Mid-Atlantic (17%)	Southwest (11%)
Midwest (14%)	East (8%)
New England (14%)	Canada (3%)



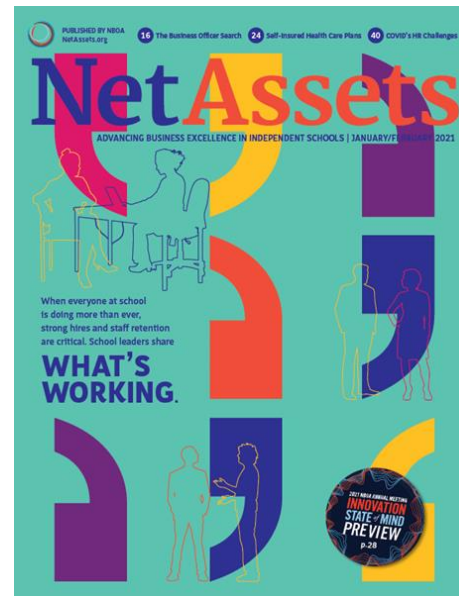
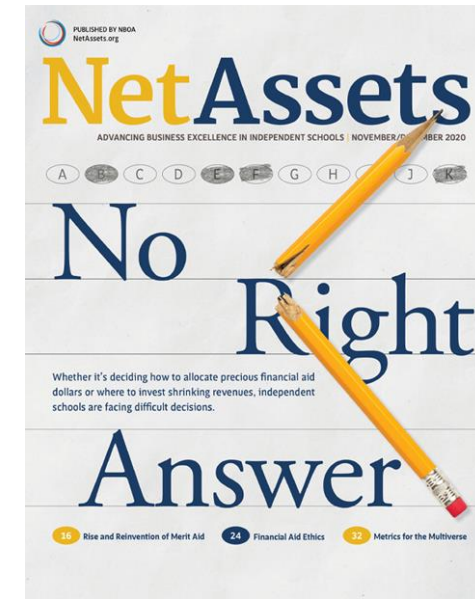
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school personnel.**

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National Business Officers Association



Leading Into the Next Normal: Overview

Innovation

Two Pivotal
Moments...One
Decade Apart

Partnering and
breaking-down
silos for
collaboration

Data-Driven
Decision Making

Tap NBOA & Your
Business Officer
Colleagues



National Business Officers Association

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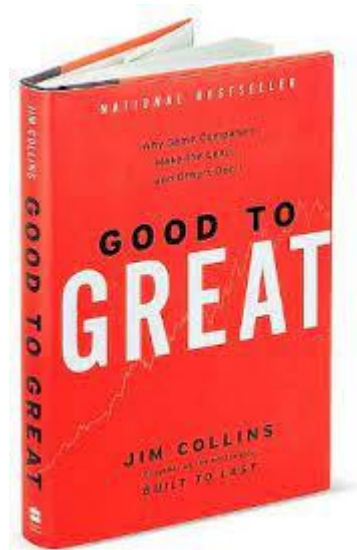
My Takeaways from Duncan Wardle

Context: *Independent schools' response to the pandemic demonstrated agility, creativity and resilience impacting the entirety of how we deliver education.*



Projections

Jeffrey Shields, FASAE, CAE | NBOA President and CEO



Powering the Flywheel

As light from the tunnel's end comes into focus, our charge is to maintain the spirit of innovation through the pandemic's final stages and beyond.



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As we near the one-year anniversary of the pandemic's first shutdowns, it's clear business at our schools remains unusual. While the coronavirus vaccine is finding its way around the U.S., we remain in mitigation mode. People are still falling ill and dying. And independent schools continue to wrestle with their varied formulas for providing a world-class education in challenging times. In this landscape, all systems remain fluid.

Yet there is also a palpable feeling of a sea-change at work — a shift from collective anxiety about an uncertain future to one of hopefulness for what now seems possible. The vaccine is here and by midyear should reach a high percentage of Americans.

I'm hearing this sense of hopefulness from independent schools as well. They have not only weathered the turmoil of the past year, but have also displayed far

the energy to initiate change, they also understand the importance of keeping the flywheel spinning — using hard-earned momentum to generate steady, continuous institutional growth.

As we start the transition to a post-pandemic world, what I hope is that we don't just settle back into business as usual in our schools. Rather, I hope we leverage the lessons we've learned this past year about resilience and flexibility, that we continue to examine our programs, elevate our strengths and address our challenges.

Two Pivotal Moments for Independent Schools



10-year period: 1998-2008

➤ **The Great Recession (2008-2010)**

10-year period: 2010-2020

➤ **The COVID-19 Pandemic (2020-2021)**

The Great Recession

Observations:

- Impact on the Economy (unemployment rate, stock market volatility, housing bubble burst)
- Impact on Schools (depressed enrollment, increased demand for financial aid, underwater endowments, reduced giving)
- A tremendous paralysis within the community
- Wide speculation that our enrollments were going to fall through the floor



**And here is how we
responded...**

2010 NBOA Business Officer Survey:

In response to the economic decline, what strategies did you implement?

- 26.4% were going to increase the average class size but only 11.7% did.
- 58.8% were going to decrease planned salary increases but only 32.3% did.

Economic strategies		2009 survey: % who planned to implement	2010 survey: % who implemented
	Increase average number of students per classroom	26.4%	11.7%
	Increase teaching load	26.6%	12.8%
	Eliminate student programs	6.7%	2.7%
	Reduce the number of faculty FTEs	37.3%	18.0%
	Reduce the number of staff/administrative FTEs	36.6%	17.8%
	Decreased planned salary increases	58.8%	32.3%
	Reduce salaries	7.7%	4.0%
	Reduce benefits	17.0%	12.2%
	Increase the employee contribution for benefits	17.5%	11.7%

... but it changed the BO and HOS roles forever.

Business Officer:

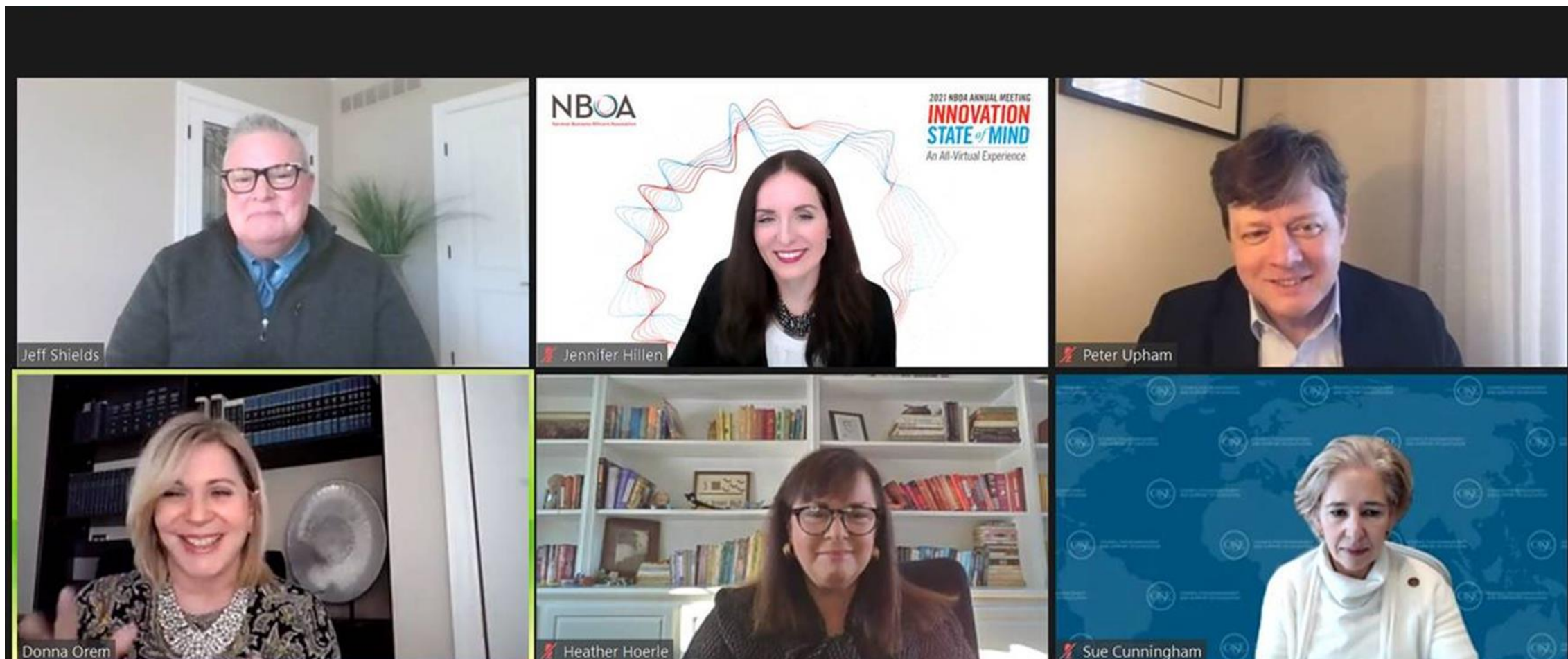
No longer able to shrug shoulders and say, “I don’t know anything about the program.”



Head of School:

No longer able to shrug shoulders and say, “I don’t know anything about the numbers.”

COLLABORATION



NAIS-NBOA Data Collection Collaboration

DASL Data Entry 2021-2022

To allow ample time for the majority of data entry and enable more schools to enter audited financials, DASL Data Entry will be in two parts, DASL Data Foundation and DASL Financial Operations.

6/9 – Data Entry Open - DASL Data Foundation

10/15 - Entry Closed, begin scrubbing - DASL Data Foundation

10/26 - Data Entry Open - DASL/BIIS Financial Operations

11/17 - Data ready for reporting – DASL Data Foundation

11/19 - Entry Closed, begin scrubbing – DASL/BIIS Financial Operations

12/15 - Data ready for reporting – DASL Financial Operations



The COVID-19 Financial Impact on Independent Schools: *What's Working and What's Not?*

- 87% of schools opened for full in-person or hybrid instruction on campus. Campuses remain closed at 13% of schools.
- 39% of schools reported being fully enrolled (many of which have a wait list), and 37% of schools reporting being mostly enrolled with a few seats to fill. Only 24% of schools reported being under enrolled.
- However, only 19% of schools are now anticipating a surplus in FY21 actual results and 51% of schools are now anticipating a deficit in FY21 actual results.
- Additional expenses for the supplies, equipment, technology, and services required due to the COVID-19 pandemic will make budgetary management increasingly difficult this year.

Fall 2020 Pulse Check: In which area do you project the greatest additional expenditure or lost revenue in FY21?

ANSWER CHOICES	RESPONSES	
Hiring additional staff	24.0%	52
Remote delivery of instruction (e.g., software/system purchases)	15.2%	33
Refunds of tuition or uncollectable tuition	12.9%	28
Additional cleaning of school	10.1%	22
Reconfiguring campus spaces	9.7%	21
Other (please specify)	8.8%	19
Refunds of fees or uncollectable fees	7.4%	16
COVID-19 testing and contact tracing	7.4%	16
Purchasing personal protective equipment (PPE)	2.3%	5
None of the above	2.3%	5
TOTAL		217

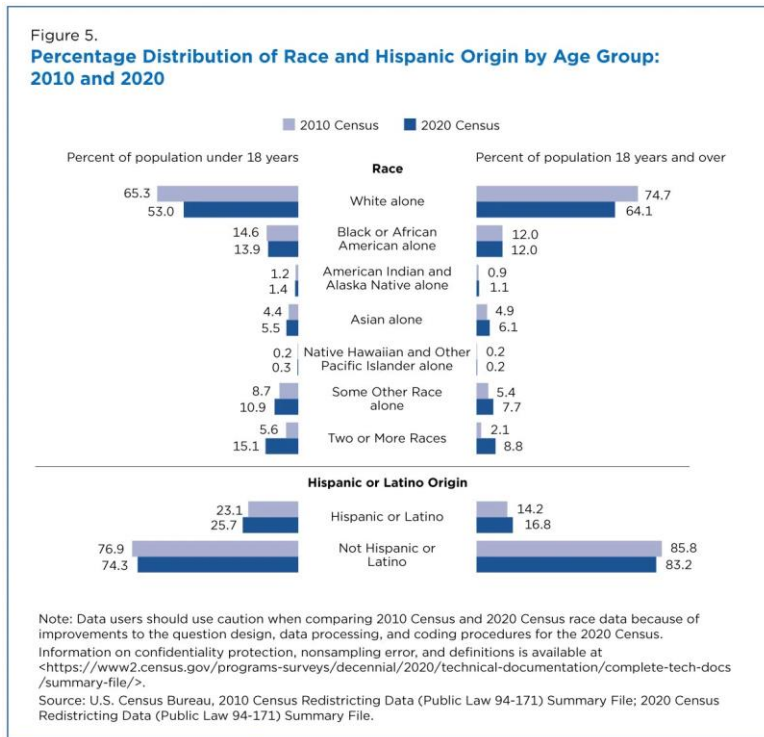
Fall 2020 Pulse Check: Impact on Independent School Governance and Leadership

- 92% of respondents “agree” or “strongly agree” that their school’s Trustees understand the financial challenges confronting their school and are governing at the appropriate strategic level.
- 97% of respondents “agree” or “strongly agree” that their school’s Senior Administrators are responding appropriately to the COVID related challenges confronting their school.
- 79% of respondents “agree” or “strongly agree” that their school has sufficient procedures in place to ensure business continuity in cases of major interruption to operations.
- 79% of respondents “agree” or “strongly agree” that their school has a clear financial plan for dealing with the effects of the COVID-19 situation.

Disruptors, Further Challenging the Business Model



Demographic Considerations: Race and Ethnicity



- The U.S. Census Bureau projects that the racial and ethnic composition of the population will continue to change more quickly, and become more diverse, for children than for older groups.
- The 2020 Census revealed that 15.1% of the population under 18 identified as two or more races while 8.8% of the population 18 years and over identified this way.
- Attracting, enrolling and retaining students from diverse backgrounds will be an increasingly important strategy for independent schools.
- Understanding changes in the racial and ethnic composition of schools' local areas can inform admissions and marketing strategies.
- Consider assessing whether your school is meeting the needs of students and families from diverse backgrounds, including foreign-born students through, for example, satisfaction surveys.
- Diversity, equity and inclusion strategies and programs may play an important role in a high-quality student experience.

Demographic Considerations: Economic




- As the group that represents many of the parents of our school communities, millennials are the first generation to experience less upward mobility than previous generations.
- Lower homeownership rates and large amounts of student debt mean that millennial households have lower average and median net worth (assets minus debt) than previous generations.
- These factors may affect millennials' ability to afford an independent school education for their children.
- Tuition pricing models and tuition discounting strategies may need to take these factors into consideration.

Considerations for a New Model

- Flexibility to shift program quickly
- Ability to add/alter programs to accommodate the circumstances
- Pandemic accelerated changes to operations and expenses
- Primary Drivers:
 - Tuition
 - Discounting
 - Compensation

Business Model Innovations





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Successful Mergers and Partnerships: Legal and Cultural Considerations

Thursday, December 2, 2021 — 3:00 PM ET

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MSNBC NEWS ON BAYLOR SCHOOL COVID-19 TESTING

Providence Country Day School cuts tuition by more than 35%



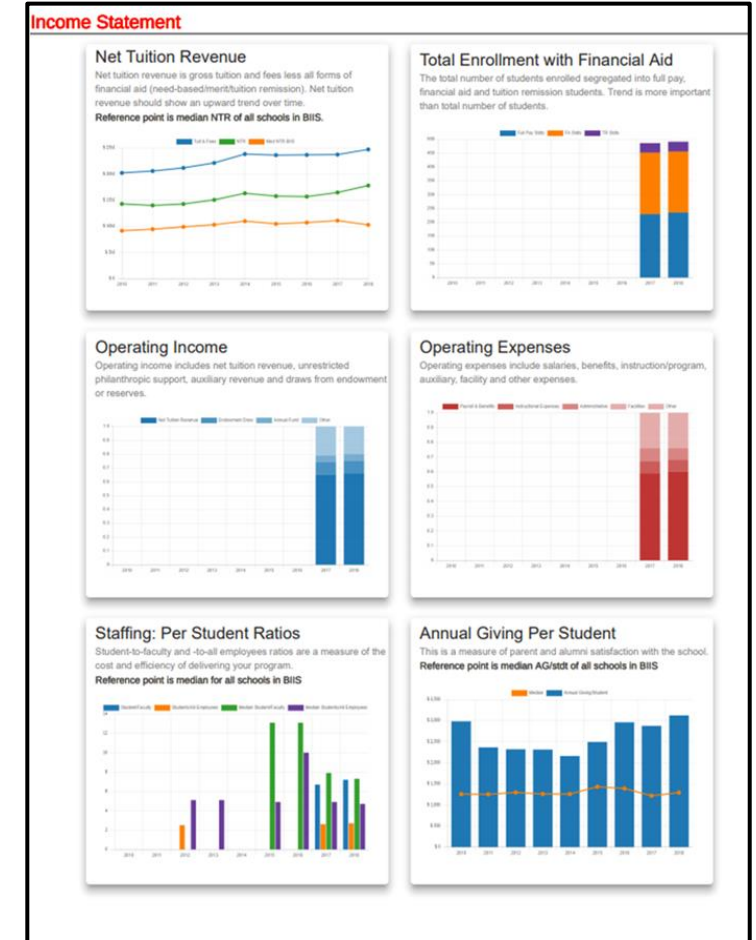
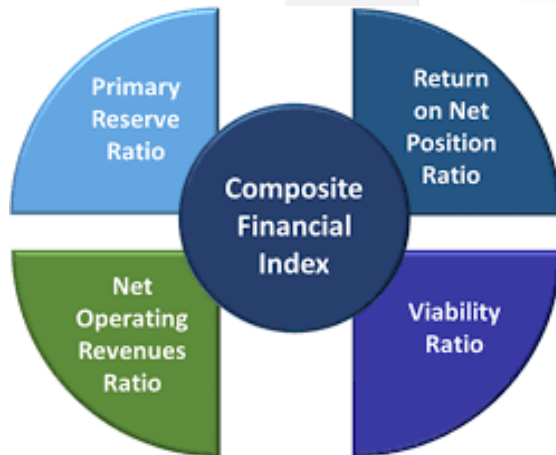
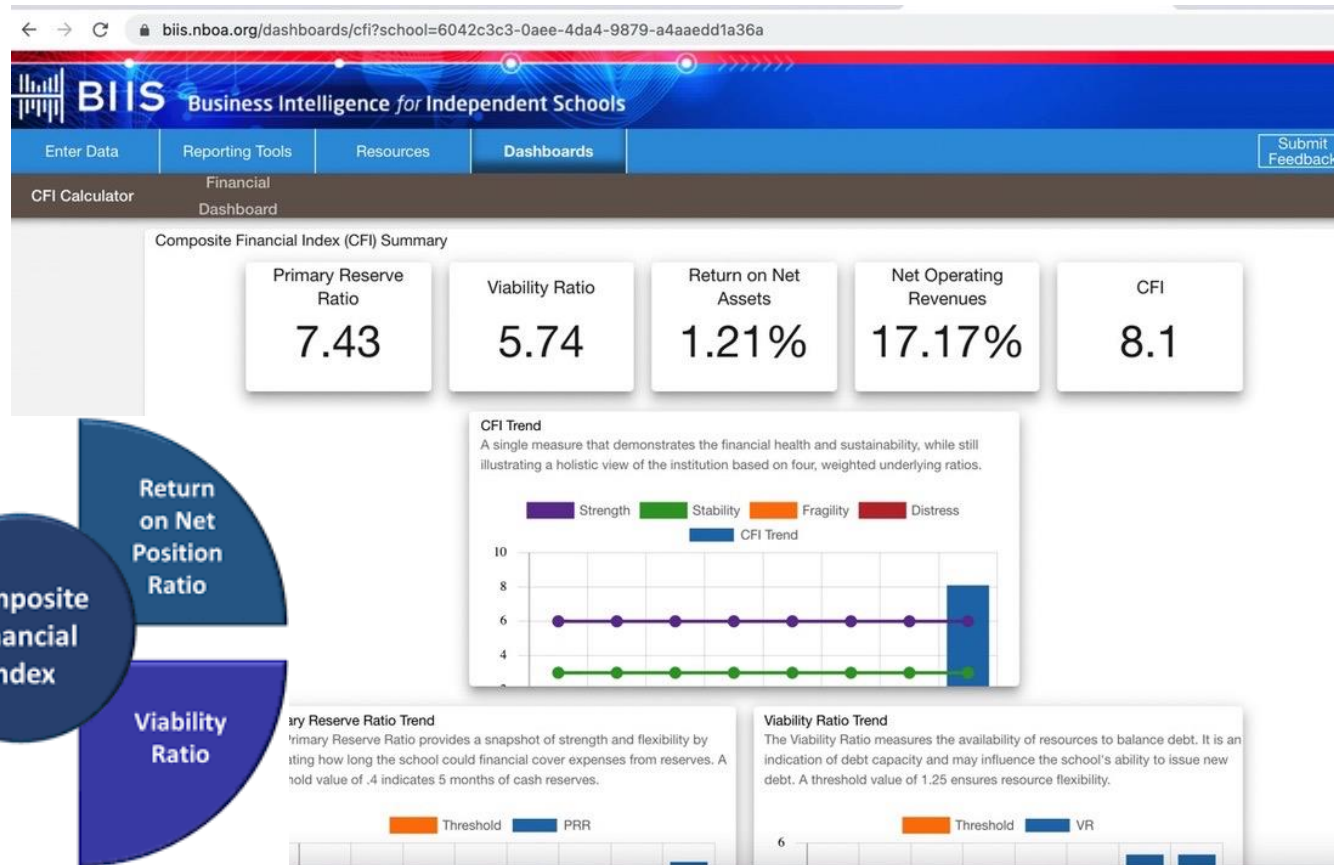
Financial Modeling Tool

The NBOA Long-Range Financial Model has several formulas in place that allow it to accurately predict your school's budgetary projections.

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.

Sample School Budget Model										
Assumption Page										
Instructions: Enter assumptions for next 10 years in high lighted area. Once initial entries are complete enter CTRL G 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	(738,000)	(792,248)	(779,643)	(764,563)	(750,191)	(735,599)	(720,824)	(705,830)	(690,600)
Change to Baseline Net Income		450,000	256,000	(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 (by Trading 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	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%
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 FTEs	55	55	55	55	55	55	55	55	55	55
Administrative FTEs	17	17	17	17	17	17	17	17	17	17
All Other FTEs	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%
% Increase over Inflation for International Students		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% Increase over Inflation for Food Service		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% Increase over Inflation for Admissions Expenses		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% Increase over Inflation for Technology		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% Increase over Inflation for Development & Campaign		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% Increase over Inflation for Marketing		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

CFI & NBOA Financial Dashboard



In the 3rd School Year with COVID... What have we learned?



- In some markets, there were an untapped market of families that were able to pay for independent education but did not see the value before the pandemic. *How do we demonstrate our value more effectively to continue attracting and/or retaining these families?*
- We had too many paper processes in our schools, or processes that relied on individuals being in the same workspace. We ignored technology implementation for these processes for too long and implemented them during the pandemic for greater efficiencies.
- We did not have the cash on hand that we needed to respond to the pandemic quickly. We are re-evaluating reserves and endowment policies to not be flat-footed on this again.

In the 3rd School Year with COVID... What are the silver linings?



- We are more nimble and agile than we gave ourselves credit for and we displayed that better than alternative school options.
- The strength of our community got us through, realizing we were more than bricks and mortar and truly a learning community. That presented in several ways... leadership teams working together, staff fulfilling responsibilities outside of their role, faculty adjusting their instructional methods, etc.
- There was an increased level of participation in governance and parent engagements because of the virtual nature of these meetings and programs, including virtual open houses.
- We are using our campuses and facilities in more creative ways.
- Remote work is a viable and flexible option for our schools to attract top talent.

In the 3rd School Year with COVID... How might we innovate?



- **Online learning:** More robust online learning options for students. We understood many families appreciated the flexibility for themselves and their students.
- **Wellness:** Increased focus on health and wellness for faculty, staff and students.
- **DE&I:** Matching DE&I efforts with our resources to move the agenda forward despite political headwinds. Doing the right thing.
- Right-sizing, re-setting, indexing and re-balancing tuition seems to be happening with greater frequency even though this was our discussion before the pandemic. *Ex. Cheshire Academy (CT) reduced tuition from \$41k to \$29k.*
- Re-evaluating your top line enrollment number whether adjusting to current and future trends or intentionally right-sizing. *Ex. Hill School (PA).*
- More or additional non-tuition revenue streams. *Ex. Mount Vernon School (GA) is consulting on ed tech; more robust facilities rental programs; etc.*
- How schools are partnering with each other, in some cases, merging or acquiring. *Ex. Lake Washington Girls Middle School and Giddons School outside of Seattle built a brand-new facility to share.*

Your Leadership Opportunity Ahead...



1. Step out of your **river of thinking**:

You were likely hired for your unique expertise and experience, but we can't simply rely on that to lead your school into the future.

2. Engage a **naïve expert**:

Someone who has an entirely different perspective on business, finance and operations or PK-12 education and see how that may help you re-think your role and your school's operations.

3. Ask **What if?**

Employ "what if" scenarios with your school leadership team. Remember, the more absurd the better, to help stimulate and surface the most innovative ideas for the future of your school.



National Business Officers Association

Questions, Comments, or Compliments?



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