



**National Business Officers Association**

# **Fundamentals of Independent School Finance and Operations**

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SAIS FUNDAMENTALS CONFERENCE

APRIL 4, 2022

# Introductions



## Jennifer Osland Hillen, CPA, CGMA Chief Learning Officer, NBOA

- Oversee NBOA's professional development and resources portfolio as well as many association partnerships; support Board Governance Committee
- Lead staff DE&I committee and association's commitment to DE&I
- Non-profit board positions include the Junior League of Nashville (past president), Monroe Carell Jr. Children's Hospital at Vanderbilt, Women In Numbers, Renewal House, and the W.O. Smith Music School
- Serve on the teaching faculty for Vanderbilt's Master of Education, Independent School Leadership
- Former business officer at Harpeth Hall School (Nashville, TN); independent school graduate



National Business Officers Association

**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

- 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%)





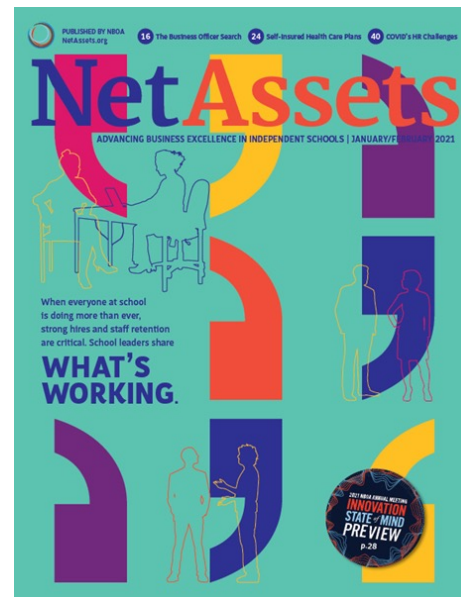
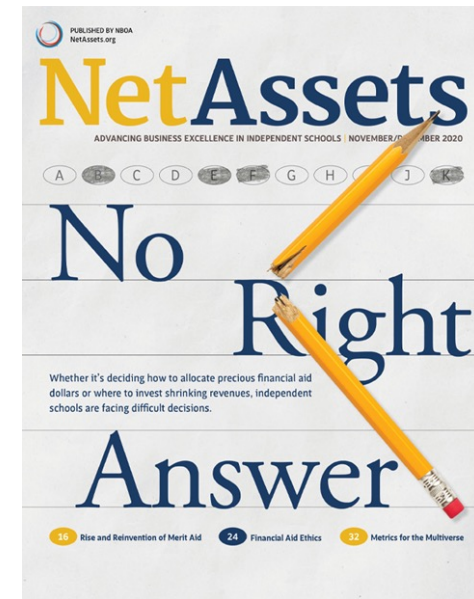
# Get the magazine!

Free to NBOA member  
school personnel.

... or use  
**NetAssets.org**



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# Program Goals



- Gain a clearer understanding of the independent school business and operational models.
- Learn the most important revenue and expense streams and the assets and liabilities that impact a school's financial sustainability.
- Read and understand financial reports and financial terminology used in the business office, development, enrollment and other business operations within the school.
- Perform and/or read and understand data analysis.
- Learn more about the charge of the business officer who, in collaboration with the full leadership team, oversees the areas of finance, operations, risk management, human resources, and more.
- Explore the variety of financial levers schools may consider to ensure long-term financial health.
- Explore collaborative opportunities among departments in working towards financial sustainability.

# The Independent School Business Model

## 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 Finance: Dispelling Myths and Understanding Realities

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“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



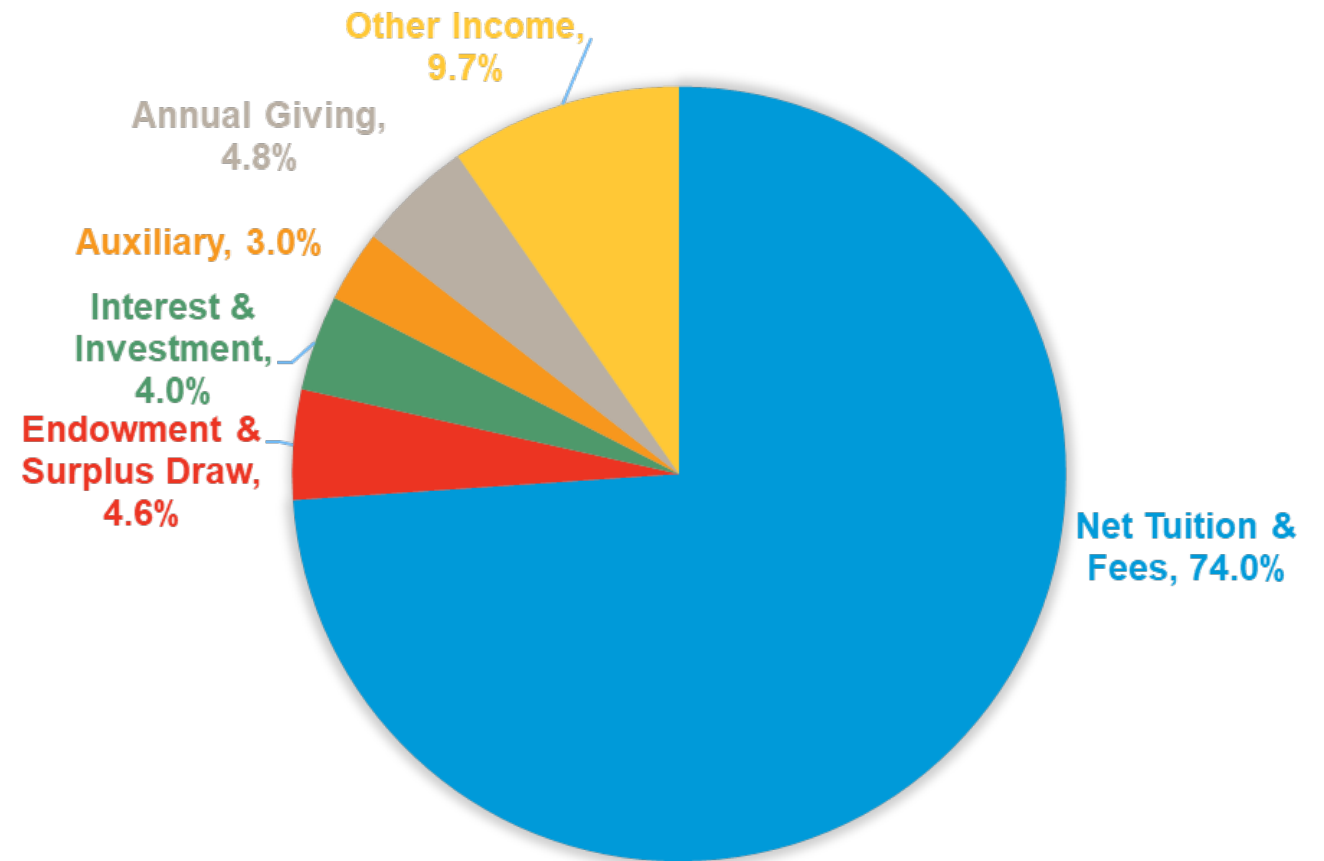
What does it mean to have an endowment?



# The Traditional Model

Income

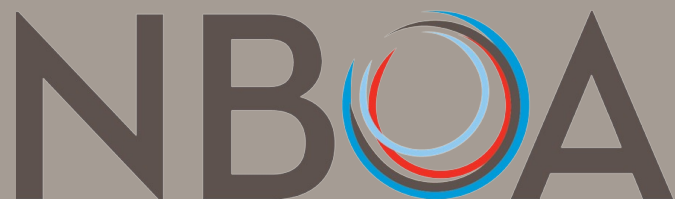
## Independent School Revenue by Category *2020-21 School Year*



N = 624 schools

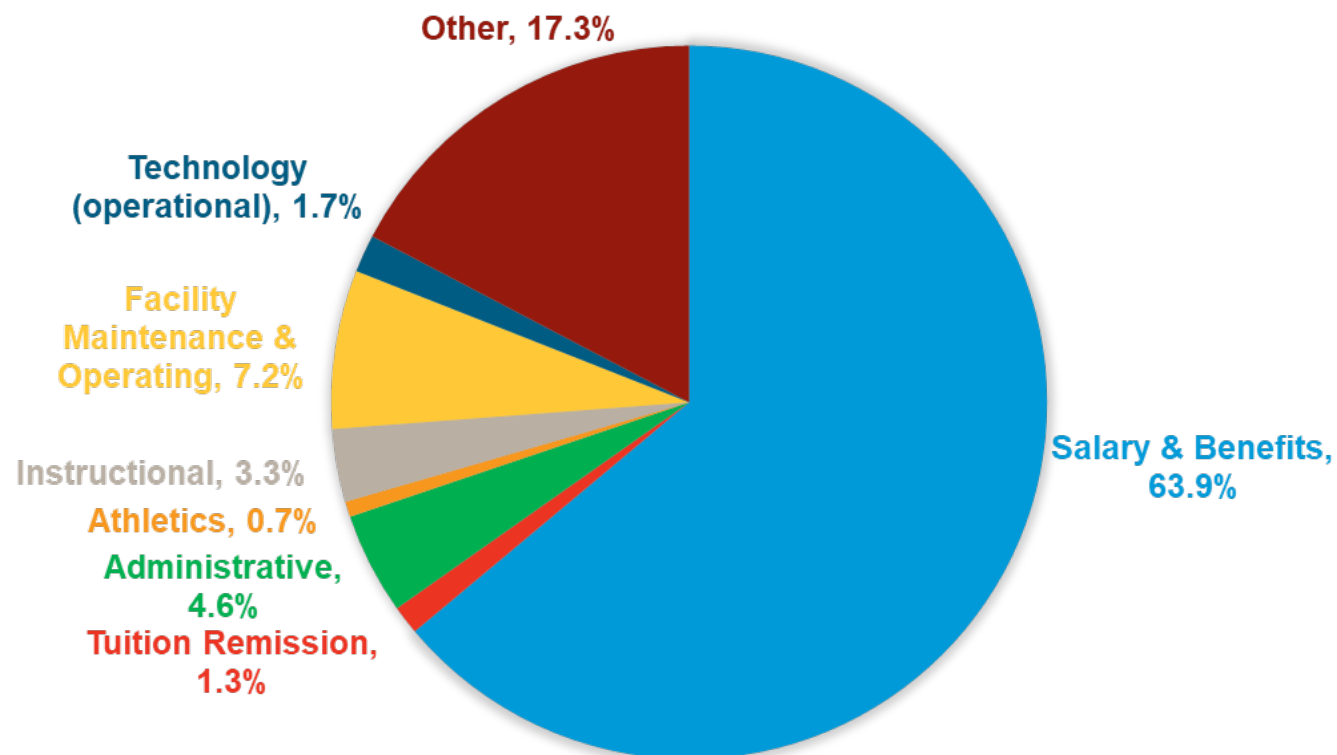
# The Traditional Model

Expenses



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## Independent School Expenses by Category *2020-21 School Year*



N = 622 schools

# The Traditional Independent School Business Model

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

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

# 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)

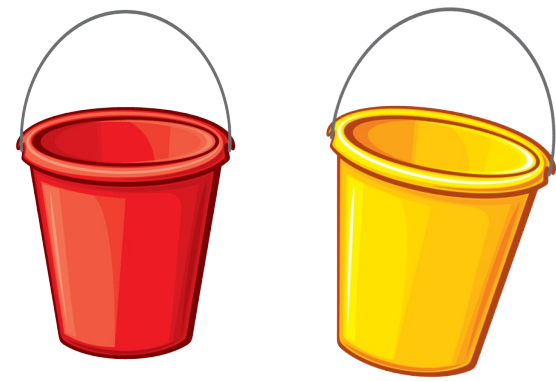
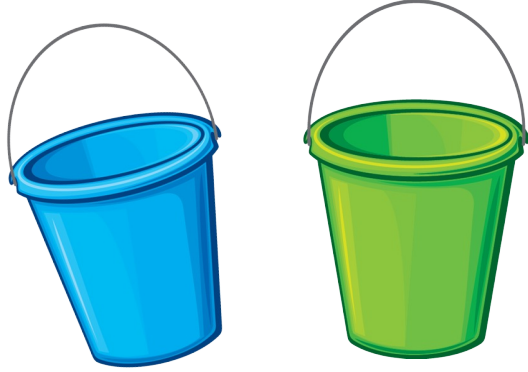
Financial Aid/Tuition Remission =

(\$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

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### 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.



# Business Model Discussion: Part One

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- What do you think is the most common misperception about the independent school business model? How should your school address it?
- Is the independent school business model broken? Why and/or why not?
- Is there anything unique about your school's business model?
- WHAT IF: If we were creating this industry from scratch today, what would we do differently and what would remain the same?

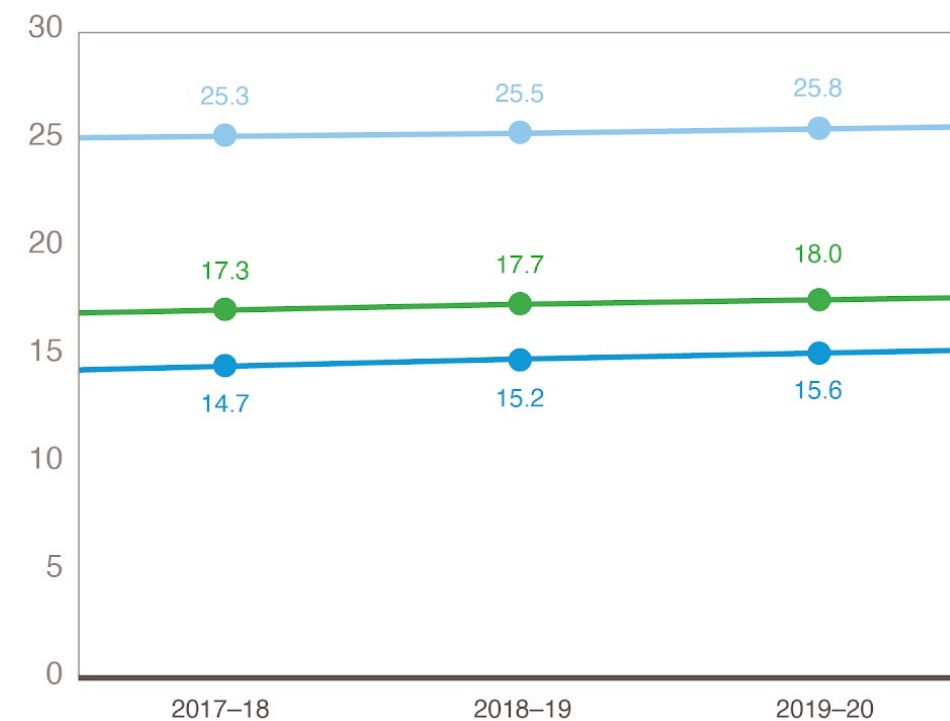


# Pricing Models and "The Only Number That Matters"



## TUITION DISCOUNT RATE BY SCHOOL TYPE

— Total — Day schools — Schools with boarding

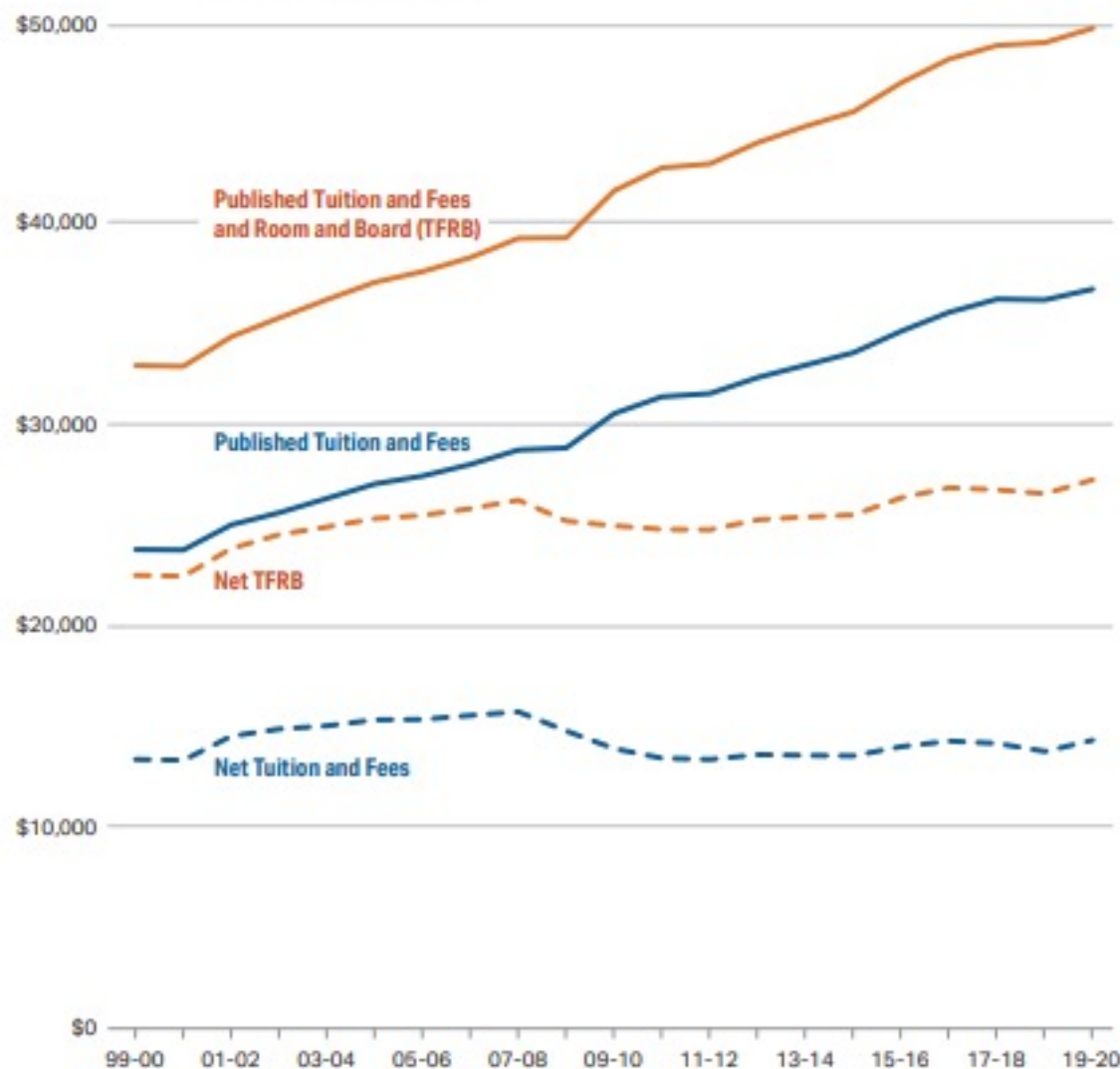


*This is the way the  
world ends*

*Not with a bang but  
with a whimper.*

*- T.S. Eliot*

**FIGURE 10** Average Published and Net Prices in 2019 Dollars, Full-Time Undergraduate Students at Private Nonprofit Four-Year Institutions, 1999-00 to 2019-20



Source: CollegeBoard,  
Annual Survey of  
Colleges: Trends in  
College Pricing 2019

# Know Your Discount Rate

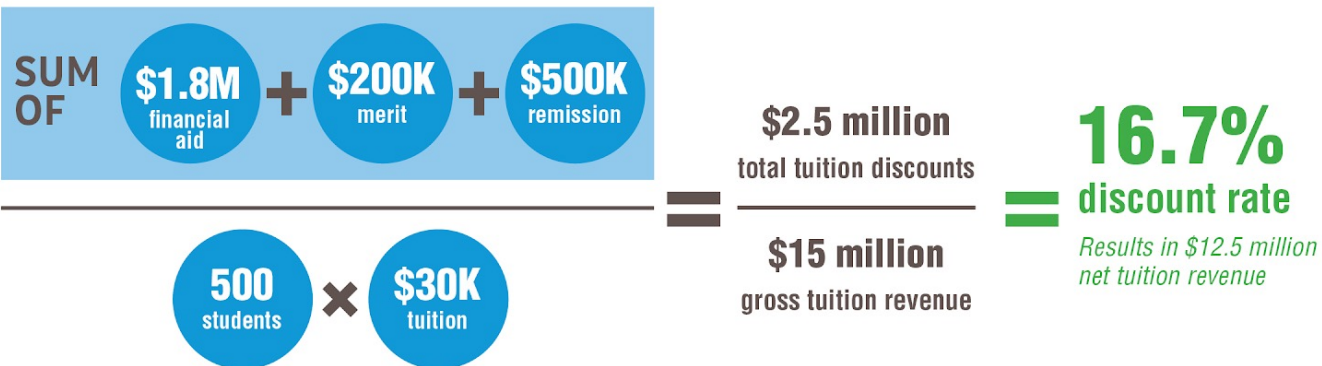
## CALCULATING YOUR SCHOOL'S TUITION DISCOUNT RATE:

Total discount dollars awarded to all enrolled students  
(*need-based financial aid + merit aid/scholarships + tuition remission*)

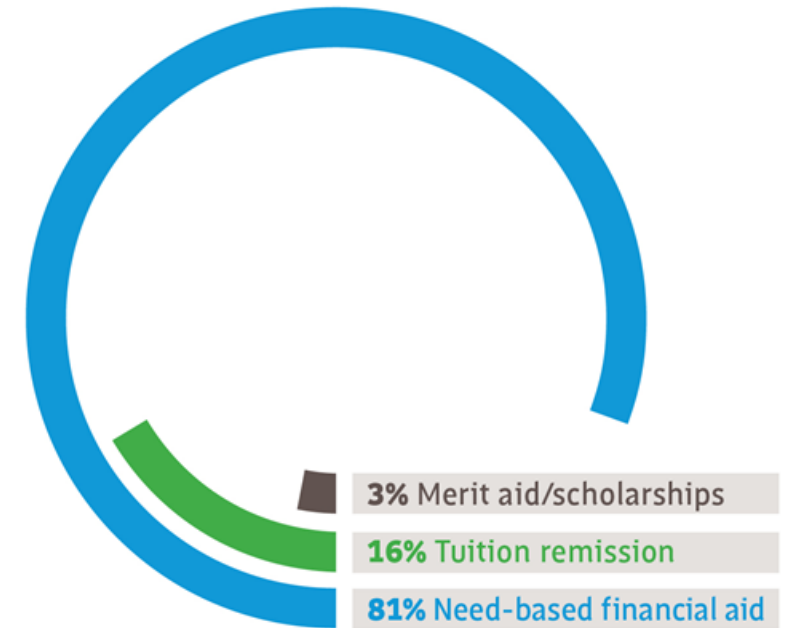
Gross tuition revenue  
(*# of students x sticker price*)

= **tuition discount rate**  
*Results in net tuition revenue*

### EXAMPLE:



TYPE OF DISCOUNT AS A PERCENTAGE OF TOTAL DISCOUNT: 2019–20





## Prudent Business Practice

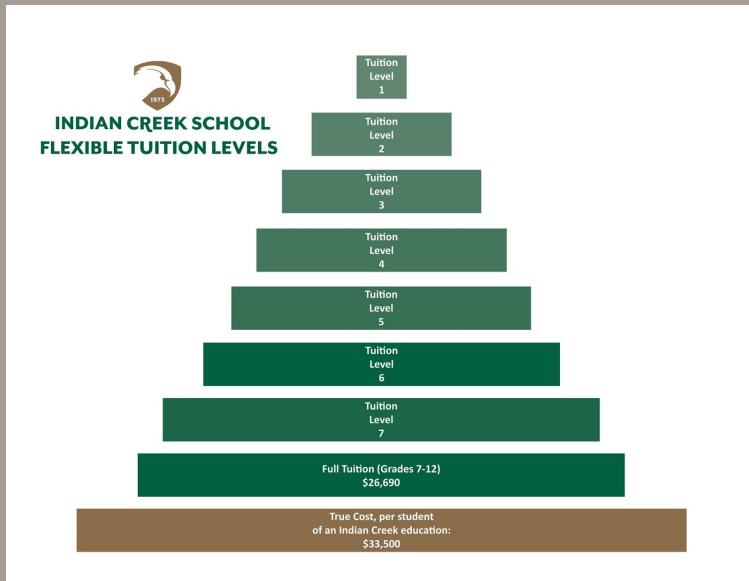


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## Eliminating the Gap

- Charge what it costs to educate a student
- Aim for a desirable net tuition revenue number
- Expense increase = tuition increase
- Focus on value and uniqueness of program
- Promote value of selection and investment over competing schools in the market

## Popular Model



## Indexed or Flexible Tuition

- Feeling that tuition growth is out of sync with family incomes
- Focus on messaging
- Strive to stabilize or grow enrollment via overall net tuition revenue
- Seek to increase affordability and accessibility to a diverse population of families in order to drive more inquiries to the enrollment funnel

## Locked In Pricing

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

## 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

# Disrupting the Business Model



# Disruptors, Further Challenging the Business Model





# Emerging Practice



## Tuition Reset:

- Lowering tuition by a meaningful percentage
- Reduces “sticker shock”
- Reduces the barbell effect
- Focus is on achieving NTR per student
  - BUT, how much is enough, and at what cost?

Providence Country Day School cuts tuition by more than 35%



# Stronger Together



## Successful Mergers and Partnerships: Legal and Cultural Considerations

### SEVERN SCHOOL



[severnschool.com](http://severnschool.com)  
838 STUDENTS PREK-12



Severn School (est. 1914)  
and Chesapeake Academy (est. 1980)




Merger year: 2013




Lower school on the Chesapeake Campus  
(previously Chesapeake Academy),  
middle and upper schools on the Teel  
Campus (previously Severn School)


### SPRINGSIDE CHESTNUT HILL ACADEMY (2011)




[sch.org](http://sch.org)  
1,052 STUDENTS PREK-12



Springside School (est. 1879, all girls)  
and Chestnut Hill Academy  
(est. 1861, all boys)



Merger year: 2011



Single-sex preK-8 on the Cherokee  
Campus (previously Springside School);  
co-ed 9-12 on the Willow Grove Campus  
(previously Chestnut Hill Academy)

### HAWKEN SCHOOL AND BIRCHWOOD SCHOOL OF HAWKEN



[hawken.edu](http://hawken.edu)  
1,260 STUDENTS PRESCHOOL-12



Hawken School (est. 1915) and  
Birchwood School (est. 1984)



Merger year: 2016



Preschool-12 on the Hawken  
Campus, preschool-8 on the  
Birchwood Campus



# Business Innovation

the  
**Downtown**  
school *small by design.*

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HAWKEN  
SCHOOL

ABOUT HAWKEN ADMISSIONS GET READY FOR PLAY ACADEMICS ARTS ATHLETICS PARENTS

**Announcing the  
Mastery School of Hawken**  
Opening August 2020  
in University Circle

Coeducational | Grades 9-12

Mastery School of Hawken



Click here to schedule a visit

## Pods, Microschools and Tutors: Can Parents Solve the Education Crisis on Their Own?

As school openings remain in flux, families grapple with big questions about safety, money and politics.

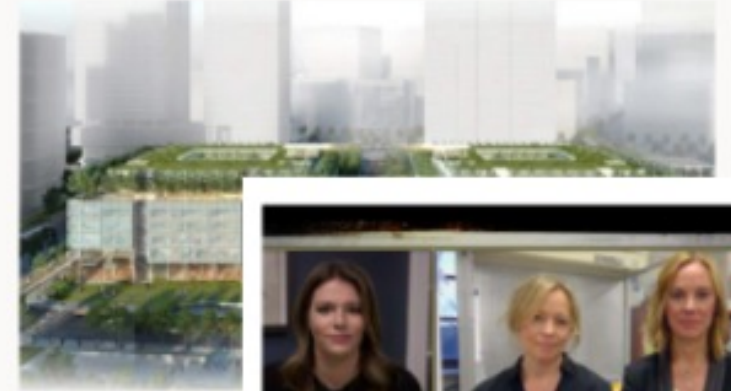
By Melinda Wenner Moyer • Published July 22, 2020/Updated Aug. 18, 2020



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## Our Home in Shenzhen



**BREAKING NEWS**  
HIGH SCHOOL INSTRUCTORS TURN SCHOOL INTO COVID-19 TEST LAB

MSNBC

**MSNBC NEWS ON BAYLOR SCHOOL COVID-19 TESTING**

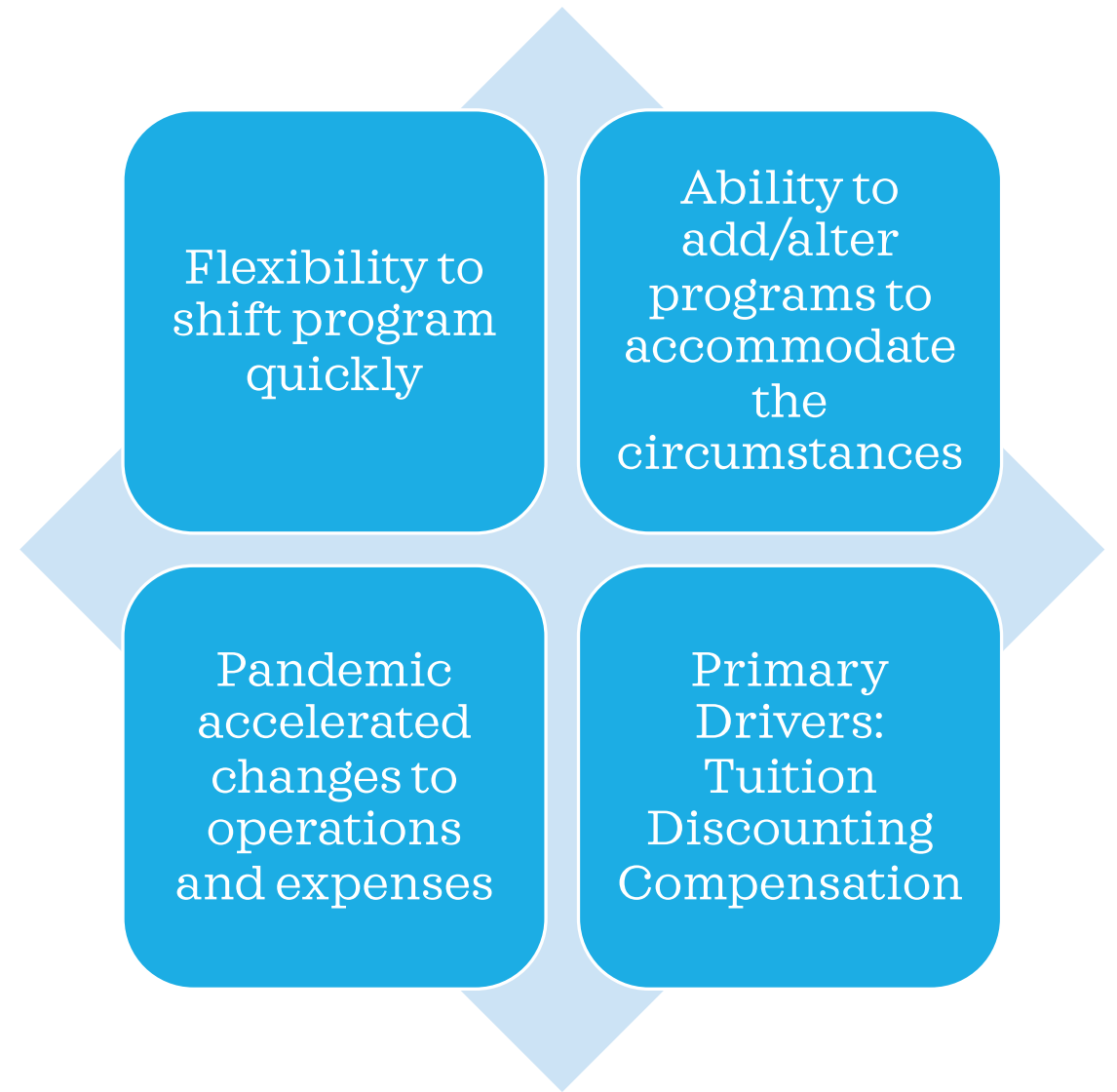


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# Considerations for a New Model



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# Business Model Discussion: Part Two

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- Which model most closely aligns with your school? What do you like about it, and what do you wish were different?
- Would any of these alternative models work for you, and how would you approach exploring and implementing those?
- How can we strategically use financial aid to increase net tuition?
- What is your school's discounting philosophy? Is it mission-aligned and are you achieving it? What would you change?
- Is there a limit to the tuitions that schools can charge?



# Budgeting and The Rest of the Equation

# Annual Operating Budget



*"Oh, it's great here, all right, but I sort of feel uncomfortable  
in a place with no budget at all."*

**Fiscal Year  
Begins**

**July**

**Aug**

**Sept**

**Oct**

**July - Sept:** Review of final prior-year financial performance; overall budget parameters set for following year and key assumptions made between business officer and finance committee

**Oct - Nov:** Division and department requests collected

**July - June:** Budget-to-actual monitored by business office with significant variances reported to Finance Committee

**Nov**

**Dec**

**Jan**

**Feb**

**Oct - Nov:** Division and department requests collected

**Dec:** Finance Committee reviews proposed budget, including next year's tuition, financial aid, & salary

**Jan:** Full board votes on proposed budget

**Nov - Dec:** Benchmarking analyses completed with comparative peer data; creation of proposed budget by business office

**July - June:** Budget-to-actual monitored by business office with significant variances reported to Finance Committee

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**March**

**April**

**May**

**June**

**Fiscal Year  
Ends**

**May - June:** Revised budget finalized after enrollment contract binding period

**July - June:** Budget-to-actual monitored by business office with significant variances reported to Finance Committee

# Significant Budget Inputs

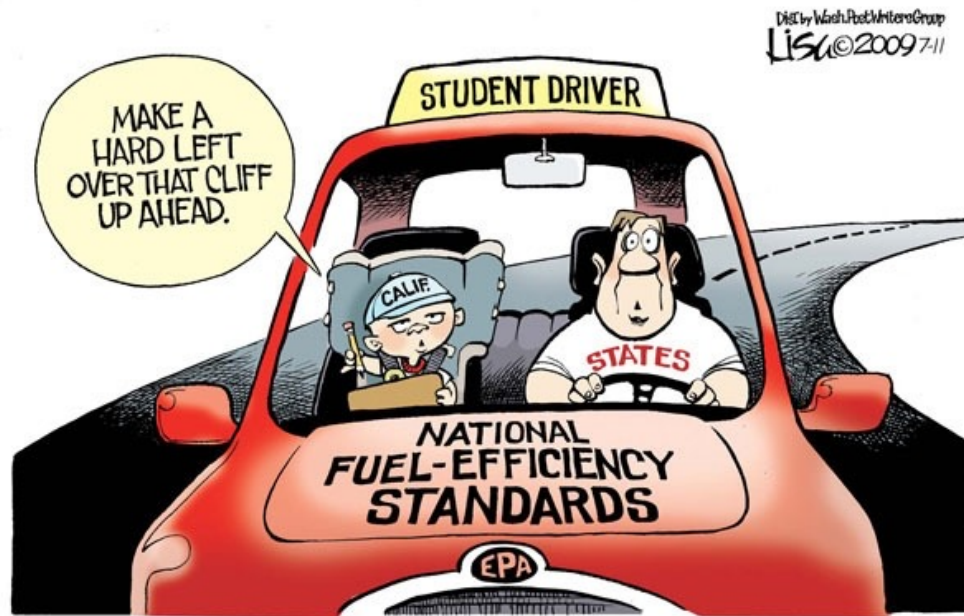
## Primary drivers:

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- Tuition
- Salaries and benefits

## Other considerations:

- Financial aid
- Debt
- Annual fund
- Endowment
- Programming decisions
- Risk management/security
- Capital assets/needs



# Other Business Model Considerations

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# Revenue: Contributions and Fundraising

- Annual Fund
- Capital Campaigns
- Gifts-in-Kind
- Contributed Services
- Endowment and spending policy



**Net assets without  
donor restrictions**

**Net assets with  
donor restrictions**



# Revenue: Auxiliary Services

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- Before/After School Programs, Summer Programs, Facility Rentals, Bookstore, Faculty Housing, etc.
- Opportunity for non-tuition revenue, but be sure to look at both sides of the equation
- In-house, or does the school utilize joint ventures or third-party providers?
- Are there tax or other compliance issues related to the school's auxiliary services activities?
- Evaluation/metrics; Opportunity costs





# Expenses: Compensation and Staffing

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- It is all about class size, but not in the way you may think
- The biggest lever to pull in the business model is with your FTEs
- Considerations for teaching load
- Merit or standard pay?
- Mission-aligned benefits
- Recruitment/retention



# Compensation Elements

## Direct Comp.

- Wages
- HSA Contributions
- Student Loan Assistance
- Tuition Remission
- Retirement Match

## Benefits Package

- Insurance - Health, Dental, Vision, Life
- Disability Wages
- Retirement Plan
- Paid Time Off

## Indirect Comp.

- Professional Development / Growth Opportunities
- Wellness Programs
- Meals and/or Housing
- Discounts / Facility Usage

# Expenses: Facilities/Operations

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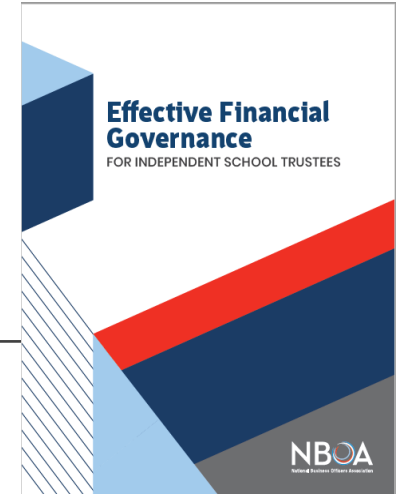
- Depreciation/deferred maintenance
- What are the long-term facility plans?
- What are the financial risks of the capital plans?
- Does the capital plan coordinate with the strategic plan?
- What is the process for approving capital projects, including funding sources?



# Key Topic: Resource Allocation

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- **Resource Allocation is the process for spending available resources in operating & capital budgets**
- The business officer should clearly define, and HOS/board members understand, the process used to allocate resources and related feedback loops for performance measurement
- Highly effective to link the strategic plan with operating & capital budgets



*To effectively manage resource allocation, leaders must have a clear understanding of what the school does well (or can do well), what it is known for, and how it compares to its peers.*

# Reflection: Questions to Ponder

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- Where does the school's mission live within the budget?
- Does the budgeting process prioritize what is most mission-aligned?
- What are the greatest vulnerabilities or pressure points financially for our school?

# The Financial State of the Industry: A Pandemic Perspective





# ***New! NBOA Research: Financial State of the Industry***

**Two-year analysis of 600+ schools revealed the following:**

- Enrollment declined.
- Gross tuition and fees increased.
- Independent schools met families' financial needs.
- Increases to operating expenses were modest.
- The gap grew.
- Endowments and investments gained ground.





The Future..?





# Resource Allocation: Planning Post-COVID

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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?

# Budgeting for 2023 and beyond

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- Budget resets (i.e., zero-based budgeting) are considered best practice when strategic planning or when economic outlooks have changed significantly (i.e., post-pandemic)
- What is the approval process? CFO & head only, or a broader resource allocation committee?
- What are the key performance metrics and what do they indicate?
- Should KPIs be changed to reflect new environment?

# Operational Drivers Discussion: Could You?

These are **SOME** of the levers to pull in order to alleviate traditional business model strain:



## Increase

Number of Students Per  
Classroom  
Teaching Load  
Employee Contributions for  
Benefits



## Reduce

Faculty FTE  
Staff / Admin FTE  
Planned Salary Increases  
Salaries  
Benefits



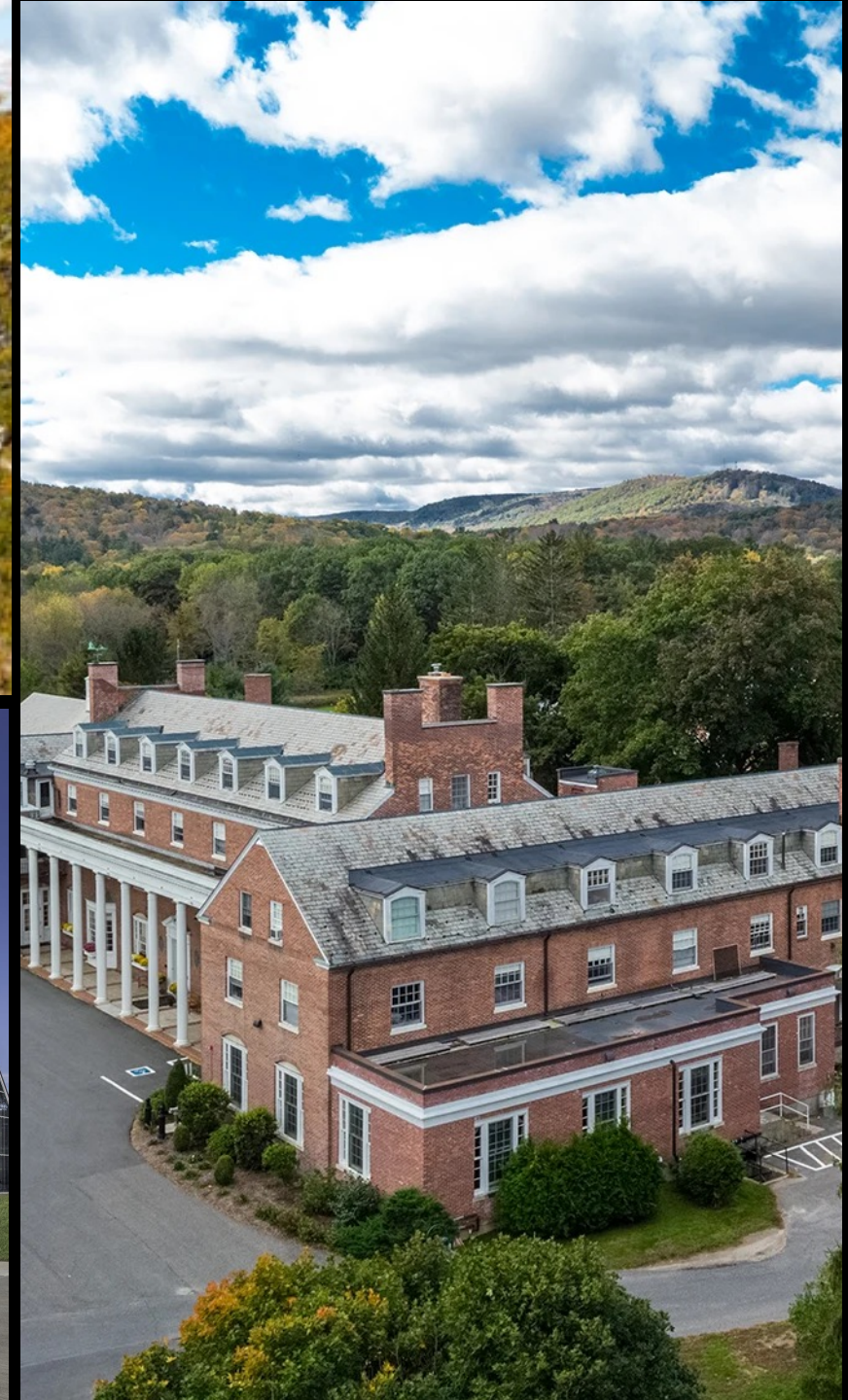
**Important note: this does not reflect the possibility of increased revenue, shifted program priorities and related expenses (technology, etc.), or the greater need at hand, which is disruptive innovation of the entire model**

# Other Operations Considerations



# Physical Plant

The physical plant is one of the largest investments a school has and must be managed with the same care as other assets.





# Risk Management

Everyone should be a risk manager!

<b>Enrollment</b>	Risks affecting new-student admissions and retention of current families.
<b>Sexual Misconduct</b>	Risks of unwanted sexual behavior, including employee misconduct, harassment and abuse of minors.
<b>Recruitment and Hiring</b>	Risks of insufficient employee screening, compliance with hiring regulations, and attracting and retaining talent.
<b>Facilities and Deferred Maintenance</b>	Risks concerning outdated facilities and new construction.
<b>Employee Misconduct</b>	Risks created by employee behavior contrary to policy, procedure and law.
<b>Operational Pressures</b>	Risk of constraints on institutional processes and business model.
<b>Student Health and Safety</b>	Emotional, physical or psychological threats to a student's well-being.
<b>Regulatory and Legal Compliance</b>	Risk of noncompliance with regulations and other accountability authorities.
<b>Data and Cybersecurity</b>	Risks related to data, including breaches, phishing, accidental disclosure, ransomware and hacking.
<b>Funding</b>	Risks concerning a lack of financial resources.



# Safety and Security

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**From**



**To**



# Financial (and Operational) Health and Monitoring

# Common Traits Among High- Performing Schools

**Lean**

**Collaborative and focused on clarity and outcomes**

**Academically rigorous**

**Guided (not governed by strategic plan)**

**Debt-averse**

**Disciplined endowment draw**

**Focused on benchmarking**

**Top-down decision-making**

**Quality, not quantity, in budget training**



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# Ten Considerations for Financial Sustainability

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Source:



# Tools for Monitoring Financial Health and Taking Action



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

# Five areas worthy of your school's focus



- 1. Enrollment:** *Assessed by incoming enrollment, retention, and application volume and trends*
- 2. Net Tuition:** *Assessed by net tuition's ability to cover operating costs*
- 3. Non-Tuition Revenue:** *Assessed by fundraising revenues, auxiliary income and endowment income*
- 4. Staff Productivity:** *Assessed by staff-to-student ratios*
- 5. Value Perception:** *Assessed by the ratio of application growth to the increase in operating spending per student*



# Financial Modeling Tool

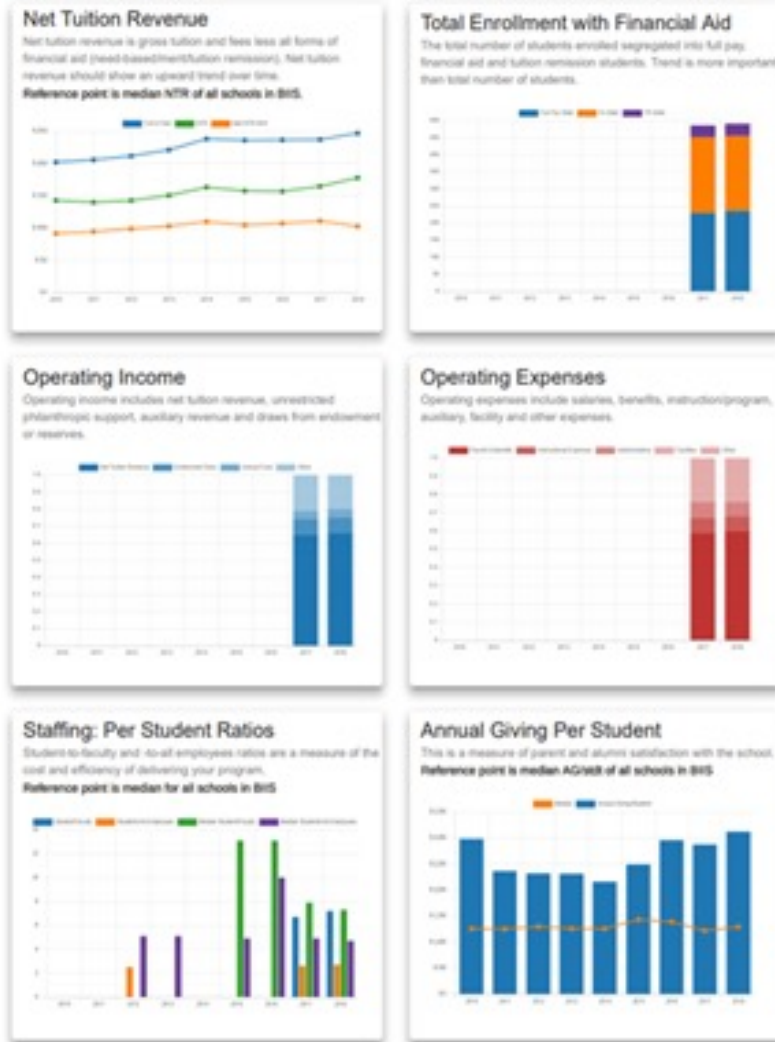
The NBOA Long-Range Financial Model has several formulas in place that allow it to accurately predict your school's budgetary projections.

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 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		-1,448,344	(798,099)	(792,248)	(778,643)	(764,563)	(750,191)	(735,599)	(720,824)	(706,830)	(692,655)
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 (3yr 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 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%

# NBOA Financial Dashboard

## Income Statement



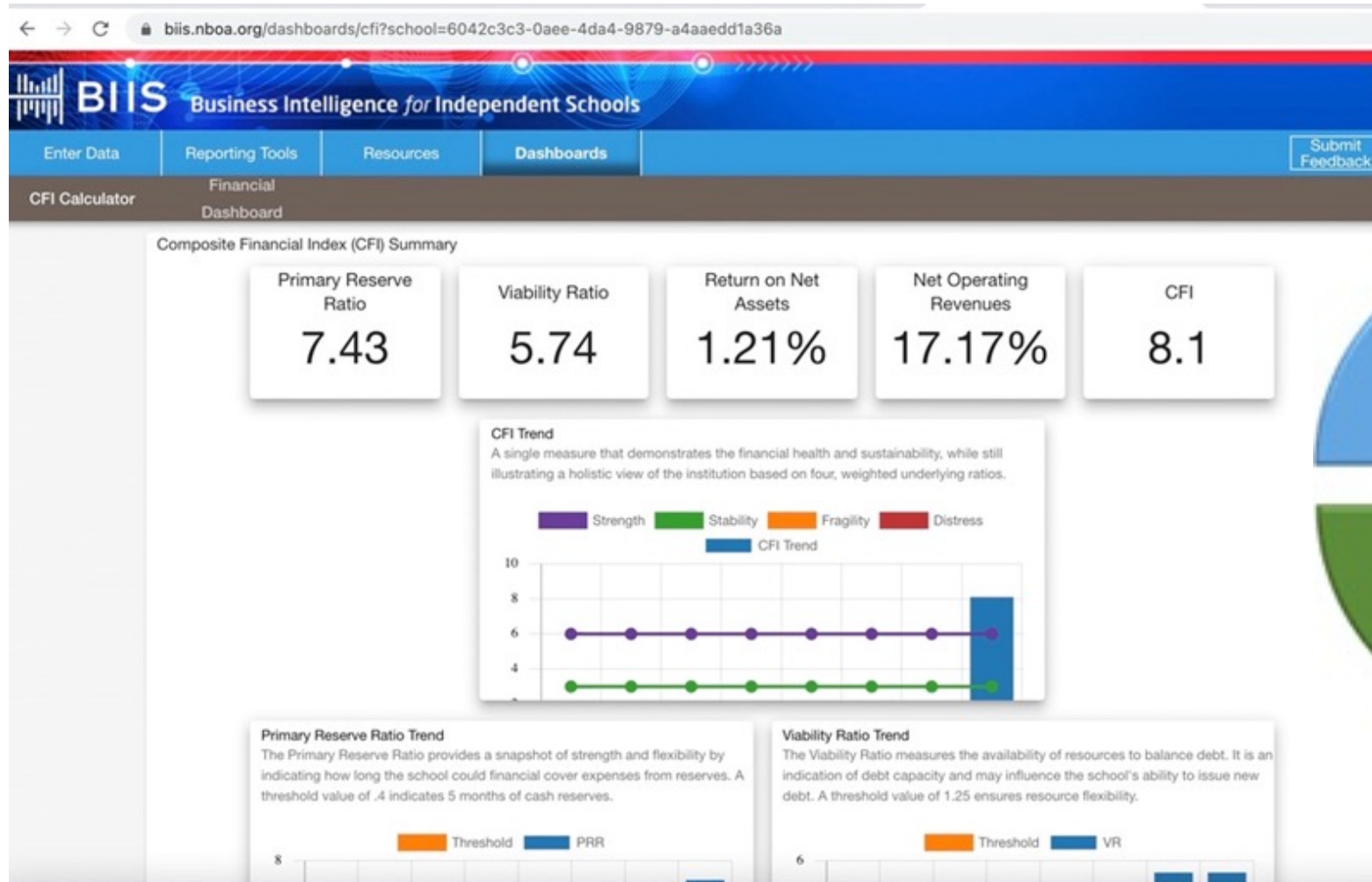
## Income Statement Data Points:

1. Net Tuition Revenue
2. Total Enrollment with Financial Aid
3. Operating Income
4. Operating Expenses
5. Staffing: Per-Student Ratios
6. Annual Giving per Student

## Balance Sheet Data Points:

7. Endowment and Debt per Student
8. Net Assets per Student
9. Plant Reserves (PPRRSM)
10. Age of Plant (in years)
11. Working Capital
12. Debt Service Ratio

# Composite Financial Index





# Resources for Reporting: Heatmap

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

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

# New Book



## The Business of Independent Schools

A LEADER'S GUIDE

A new edition of *By the Numbers and Beyond: Independent School Business Operations*

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# Questions, Comments, Compliments?

[jennifer.hillen@nboa.org](mailto:jennifer.hillen@nboa.org)

REGISTER NOW



**June 6 -- June 24**

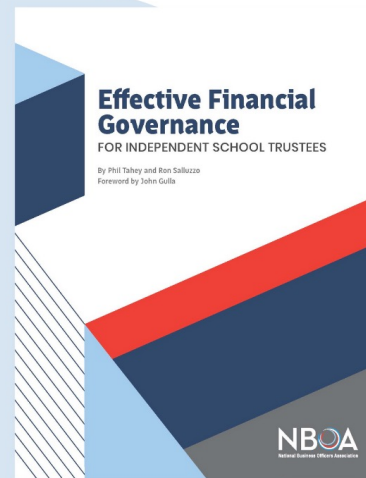
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