

Financial Literacy For Administrative Assistants

June 16, 2023



SERVING &
ACCREDITING
INDEPENDENT
SCHOOLS



BERKELEY
PREPARATORY SCHOOL

Anne Wiles
Director of Finance and
Business Operations



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Our Goal Today

- ❖ **Understand** the Independent School/Not-for-profit Business Environment
- ❖ **Understand** the sources of revenues and expenditures in Independent Schools
- ❖ **Understand** the school budget and tuition setting process



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Are we a business?



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Are we a business?

These people think so:

- DOL – Department of Labor
- CDC – Center for Disease Control
- IRS – Internal Revenue Service
- Federal, State, Local Governments



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Are we a business?

But we ARE different:

- Render services with no expectation of net income.
- Have no owners.
- Seek financial resources from persons who do not expect either repayment or economic benefits proportionate to the resources provided.
- Different measurement focus.



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Measures of success



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How do we measure our success?

For-Profit Success is measured:

- ❖ Net Income
- ❖ Return on Equity
- ❖ Earnings per Share
- ❖ Market Share
- ❖ Rate of Growth/Expansion
- ❖ Brand Recognition
- ❖ Customer Satisfaction



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How do we measure our success?

Not-For-Profit Success is measured:

- ❖ Advancement of the organization's mission
- ❖ Furtherance of donor objectives in the use of contributed money
- ❖ Assessment of efficient and effective use of resources in delivering services
- ❖ Market share
- ❖ Brand recognition



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So...

Are we a business?



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Like all Business.....



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Statement of Financial Position

Balance Sheet

June 30, 2022 2021

| | | |
|---|-----------------------|-----------------------|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 5,499,195 | \$ 6,852,134 |
| Operating fixed income investments | 9,612,376 | 9,935,472 |
| Other investments | 7,944,259 | 11,497,883 |
| Accounts receivable, net | 34,355 | 83,929 |
| Pledges receivable, current portion, net | 4,498,523 | 6,855,297 |
| Inventories | 112,043 | 151,658 |
| Prepaid expenses | 1,028,227 | 859,420 |
| Total Current Assets | 28,728,978 | 36,235,793 |
| Investments | 22,959,385 | 19,416,752 |
| Cash restricted for buildings and equipment | 287,320 | 504,849 |
| Pledges receivable, less current portion, net | 16,260,051 | 12,435,437 |
| Property and equipment, net | 61,882,934 | 54,223,561 |
| Other non-current assets | 902,713 | 800,100 |
| Total Assets | \$ 131,021,381 | \$ 123,616,492 |
| Liabilities and Net Assets | | |
| Current Liabilities | | |
| Accounts payable and accrued expenses | \$ 2,400,951 | \$ 2,656,716 |
| Amounts held in custody for others | 263,935 | 284,162 |
| Deferred tuition and fees | 10,341,444 | 9,700,303 |
| Current maturities of operating lease obligations | 28,111 | 42,166 |
| Current maturities of finance lease obligations | 272,869 | 277,099 |
| Current maturities of debt | 933,120 | 410,000 |
| Total Current Liabilities | 14,240,430 | 13,370,446 |
| Deferred compensation | 738,674 | 579,993 |
| Interest rate swap | 10,816 | 66,301 |
| Operating lease obligations, less current portion | - | 28,111 |
| Finance lease obligations, less current portion | 144,981 | 132,354 |
| Long-term debt, net current portion and deferred loan costs | 4,096,770 | 2,603,185 |
| Total Liabilities | \$ 19,231,671 | \$ 16,780,390 |
| Net Assets | | |
| Without donor restrictions | 62,502,071 | 59,291,210 |
| With donor restrictions | 49,287,639 | 47,544,892 |
| Total Net Assets | 111,789,710 | 106,836,102 |
| Total Liabilities and Net Assets | \$ 131,021,381 | \$ 123,616,492 |

See accompanying notes to financial statements.

Statement of Activities

Income Statement

| Year ended June 30, 2022 | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|-----------------------|
| Support and Revenue | | | |
| Tuition and fees, net of scholarships of \$4,058,309 | \$ 34,474,085 | \$ - | \$ 34,474,085 |
| Auxiliary activities | 3,897,375 | - | 3,897,375 |
| Contributions of cash and other financial assets | - | 11,614,599 | 11,614,599 |
| Net dividends, interest and investment loss on board and donor designated endowment | (496,009) | (3,425,256) | (3,921,265) |
| Net dividends, interest and investment loss on other investments | (39,085) | - | (39,085) |
| Other sources | 102,952 | - | 102,952 |
| Satisfaction of program restrictions | 584,845 | (584,845) | - |
| Expiration of time and non-program restrictions | 5,861,751 | (5,861,751) | - |
| Total Support and Revenue | 44,385,914 | 1,742,747 | 46,128,661 |
| Program Services | | | |
| Instruction and student activities | 25,788,092 | - | 25,788,092 |
| Auxiliary activities | 3,747,572 | - | 3,747,572 |
| Total Program Services | 29,535,664 | - | 29,535,664 |
| Supporting Services | | | |
| General and administrative | 7,001,822 | - | 7,001,822 |
| Operations and maintenance of property and equipment | 2,883,636 | - | 2,883,636 |
| Fund raising and development | 1,705,035 | - | 1,705,035 |
| Loss on disposal of property and equipment | 104,381 | - | 104,381 |
| Total Supporting Services | 11,694,874 | - | 11,694,874 |
| Total Program Services and Supporting Services | 41,230,538 | - | 41,230,538 |
| Excess of Support and Revenue Over Program Services and Supporting Services Before Gain on Interest Rate Swap | | | |
| | 3,155,376 | 1,742,747 | 4,898,123 |
| Gain on Interest Rate Swap | 55,485 | - | 55,485 |
| Changes in Net Assets | 3,210,861 | 1,742,747 | 4,953,608 |
| Net Assets, beginning of year | 59,291,210 | 47,544,892 | 106,836,102 |
| Net Assets, end of year | \$ 62,502,071 | \$ 49,287,639 | \$ 111,789,710 |

See accompanying notes to financial statements.



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IRS Form 990 – Our* Tax Return!

| | | |
|---|---|---|
| Form 990 <small>Department of the Treasury Internal Revenue Service</small> | EXTENDED TO JUNE 15, 2022 Return of Organization Exempt From Income Tax <small>Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)</small> ▶ Do not enter social security numbers on this form as it may be made public. ▶ Go to www.irs.gov/Form990 for instructions and the latest information. | <small>OMB No. 1545-0047</small> 2020 Open to Public Inspection |
| | A For the 2020 calendar year, or tax year beginning AUG 1, 2020 and ending JUL 31, 2021 | |

“Including Conflict of Interest Affirmation”

*Schools with a Religious Affiliation are exempt from this filing requirement



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Other Common Issues

- ❖ General Inflation
- ❖ Rising Medical Costs
- ❖ Property Insurance Costs
- ❖ Rising Interest Rates – Looming Recession
- ❖ Pressure on Wages
- ❖ Great Resignation
- ❖ Changes in Legislation – e.g. Vouchers
- ❖ Social Inflation

Independent School Financial Model

Money Comes in 5 Ways

- Tuition
- Auxiliary Services
- Endowment Draw
- Annual Giving
- Other Gifts

Money Goes Out 3 Ways

- Operations
- Capital Projects
- Reserves

How do we get money?

Tuition Revenue is reduced by:

- ❖ Financial Aid
- ❖ Scholarships – merit and/or need based
- ❖ Other Discounts



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How do we get money?

Auxiliary Services:

- ❖ Bookstore
- ❖ After School Care
- ❖ Summer Camps
- ❖ Retail Food Service
- ❖ Facility Rental



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How do we get money?

Restricted and Unrestricted Gifts:

Endowment
Annual Giving
Campaign



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Where does the money go?

Operations:

- Salaries and Benefits

- Program

- Supporting Services – a.k.a. Overhead

 - Advancement

 - Communications

 - Facilities

 - Business Office

Where does the money go?

Capital Purchases:

Furniture

Fixtures

Equipment

New Facilities

Where does the money go?

Reserves:

Technology

Facilities

Rainy Day



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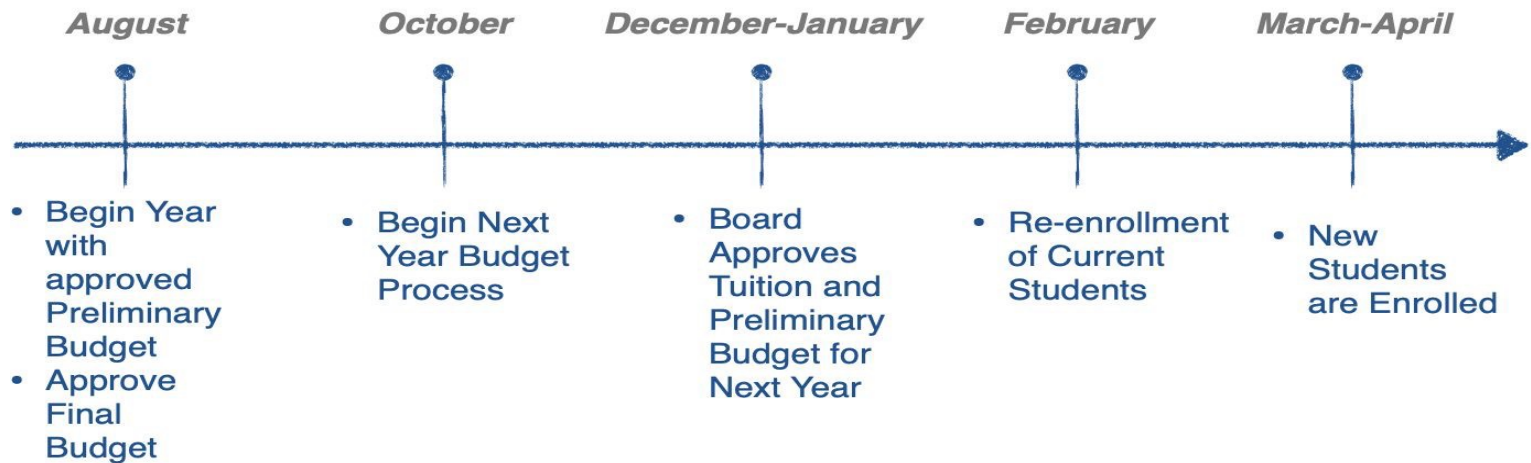
Statement of Activities



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Independent School Budget Process Timeline



An investment in knowledge pays the best interest. --**Benjamin Franklin**



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No one is more cherished in this world
than someone who lightens the burden of another.

Thank you.

- *Joseph Addison*



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