How to Thrive Through the Next Financial Crisis

Rahel Rosner, Georgetown Day School
Linda Dennison, Indian Creek School

GDS
Georgetown Day School

Where we were → Where we are → Where we are going → How we will know when we get there

School's Founding Mission

- Racial/Ethnic and Religious Diversity
- Government workers

1984 - 1985

K		3		7		12	
4850	Sidwell	5650	Holton Arms	6100	St. Albans	6100	St. Albans
4263	Beauvoir	5050	Sidwell	5900	Nat'l Cathedral	5980	Sidwell
4120	GDS	4641	Beavoir	5650	Sidwell	5900	Nat'l Cathedral
3700	Maret	4350	GDS	5650	Holton Arms	5650	Holton Arms
		4125	Maret	4680	GDS	5050	GDS
				4425	Maret	4825	Maret

Financial Imperative

Historic tuition increases are striking:

In 1994 (21 years ago)

- **6 th grade tuition at GDS was $11,296**
- A Ford Taurus base price was $18,195
- MC average HH income was $55,604
- DC average HH income was $31,442

In 2004 (11 years ago)

- **6 th grade tuition at GDS was $20,712**
- A Ford Taurus base price was $24,550
- MC average HH income was $76,669
- DC average HH income was $43,215

In 2015 (today)

- **6 th grade tuition at GDS is $36,145**
- A Ford Taurus base price is $29,370
- MC average HH income is $96,985
- DC average HH income is $78,604

20-year CAGR

- 6th grade tuition: 5.6%
- Ford Taurus base price: 2.3%
- MC average HH income: 2.7%
- DC average HH income: 4.5%

10-year CAGR

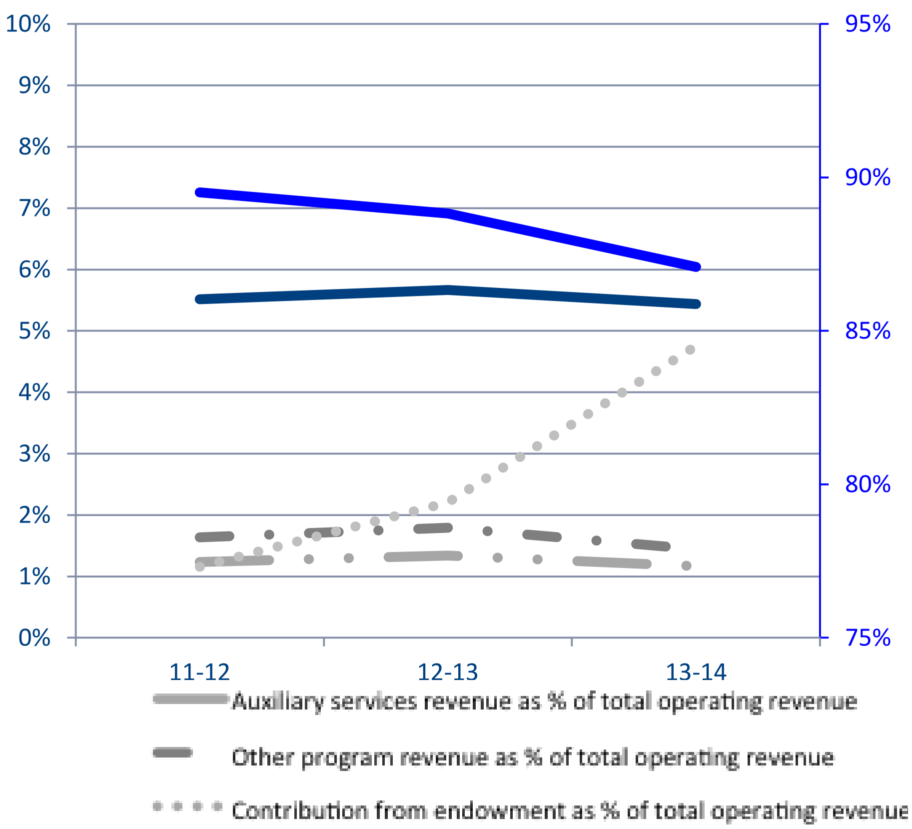
- 6th grade tuition: 4.9%
- Ford Taurus base price: 1.6%
- MC average HH income: 2.2%
- DC average HH income: 5.6%

Tuition Dependence

Where we were
Where we are
Where we are going
How we will know

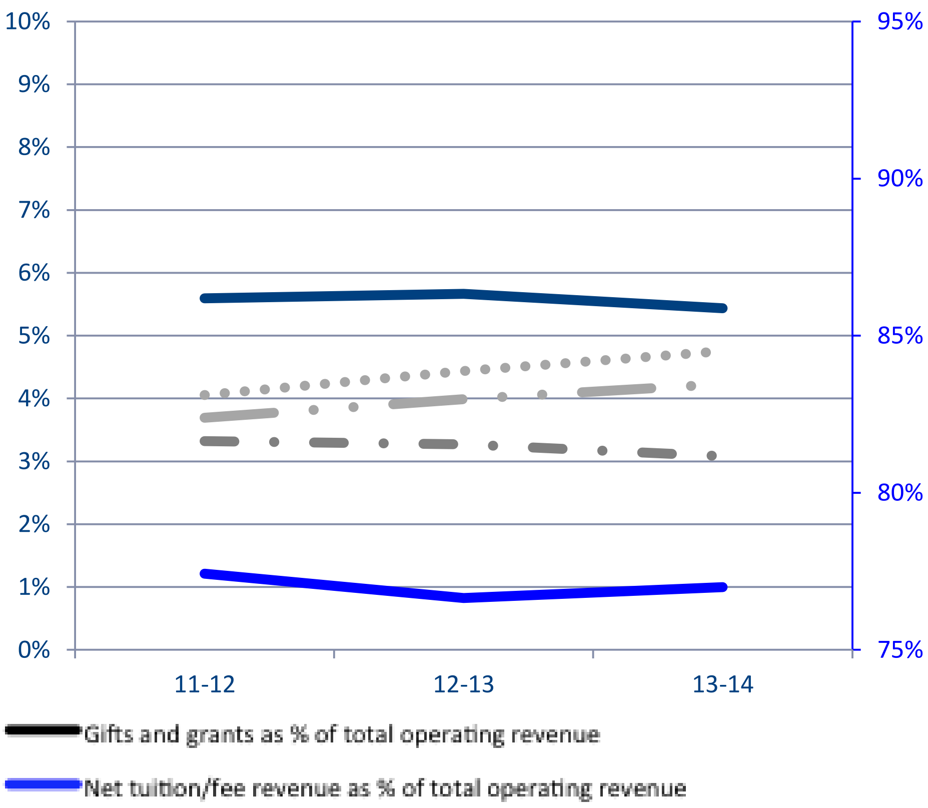
Tuition Dependence at GDS

GDS has reduced tuition dependence with a corresponding increase in contribution from the Endowment.



Tuition Dependence at Peer Schools

Revenue streams at peer schools are relatively stable with higher contributions from other programming revenue, auxiliary revenue and endowment streams making up the difference.



Financial Sustainability Driver

Where we were
Where we are
Where we are going
How we will know

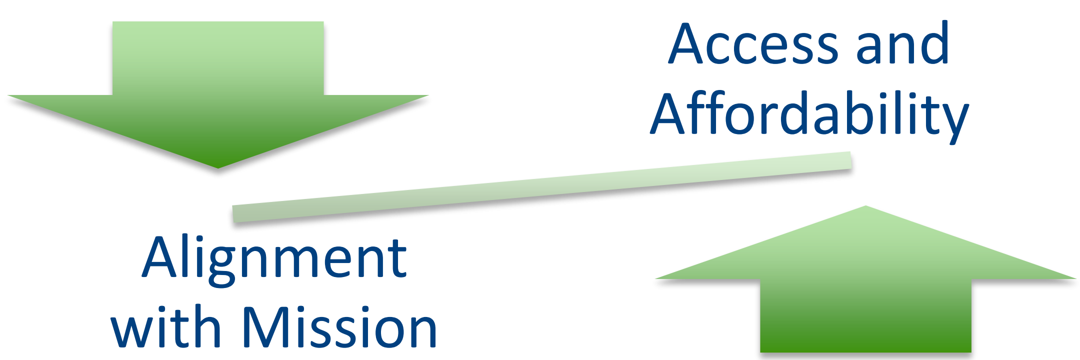
Lowest tuition increase in recorded history of GDS (FY15)

Annual tuition: Grades 6-8

FY15 **$ 35,125**

Annual Increase	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27
2.5%	$ 36,003	$ 36,903	$ 37,826	$ 38,771	$ 39,741	$ 40,734	$ 41,753	$ 42,796	$ 43,866	$ 44,963	$ 46,087	**$ 47,239**
3.5%	$ 36,354	$ 37,627	$ 38,944	$ 40,307	$ 41,717	$ 43,178	$ 44,689	$ 46,253	$ 47,872	$ 49,547	$ 51,281	$ 53,076
4.5%	$ 36,706	$ 38,357	$ 40,083	$ 41,887	$ 43,772	$ 45,742	$ 47,800	$ 49,951	$ 52,199	$ 54,548	$ 57,003	$ 59,568
5.5%	$ 37,057	$ 39,095	$ 41,245	$ 43,514	$ 45,907	$ 48,432	$ 51,096	$ 53,906	$ 56,871	$ 59,999	$ 63,298	**$ 66,780**

A 3% per year change in tuition increases over twelve years results in an almost ***$20,000 per year*** change in tuition



Initial focus

Metrics, metrics, and more metrics

- Peer schools and percentiles
- Focus on rank
- Silo'ed metrics – admissions dashboard, advancement dashboard, financial dashboard
- Silo'ed committees looking at silo'ed data and maybe the Board receiving all of the compiled data once a year.
- Comparing us to us year over year

What does this tell you?

- About yourself!
- Where you fit amongst your peers

What does this not tell you?

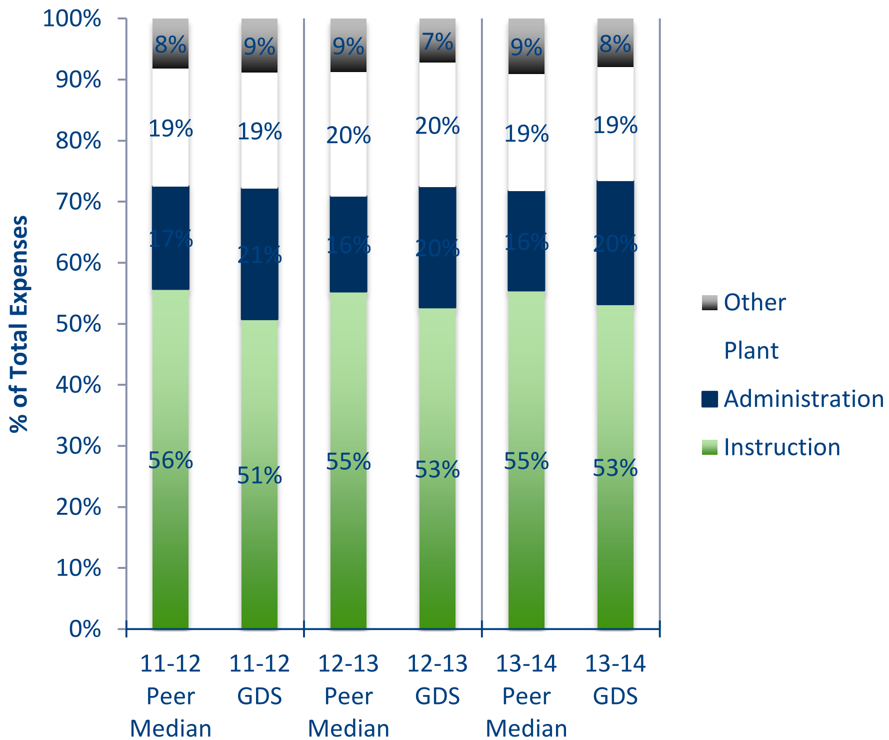
- Where you are going?
- How to be "better" …. more financially sustainable

Expense Management

Where we were
Where we are
Where we are going
How we will know

Expense Allocation as a % of Total Operating Expense

As a percent of total budget, plant expenses are comparable to our peers, with slightly more allocated to administration than instructional expenses. The most rapidly growing other expenses is financial



Tuition Discount as a % of Net Tuition Revenue

GDS's aggregate financial aid and tuition remission is at the median of our peer group. The highest tuition discount is twice the value of the median

Re-framing the Conversation

- Financial sustainability through a multi-year lens
- Can make almost anything work for a year or two
- When viewed over a decade, the impact of our actions becomes magnified

Our Focus

- Financial Sustainability
  - Financial sustainability defined as lower tuition, higher salaries and higher financial aid.
  - Predictability of tuition and salary increase
  - Other Sources of Revenue
  - Expense Management
- Strategic Plan
  - Program enhancement
  - Facilities needs

Thinking Differently, ...Changing the Trajectory

Where we were
Where we are
Where we are going
How we will know

Bain Study on Colleges & Universities	*Assessment of GDS*
Annual tuition increases several times the rate of inflation	✔
While leaders might have a sense of what needs to be done, they may not know how to achieve the required degree of change that will allow their institution not just to survive, but also thrive with a focused strategy and a sustainable financial base.	✔
Institutions have more liabilities, higher debt service and increasing expense without the revenue or the cash reserves to back them up.	✔
Institutions have become overleveraged.	✔
Administrative and student services costs are growing faster than instructional costs. And fixed costs and overhead consume a growing share of the pie	✔
…. Reversing the Law of More	

PREMISE

"Institutions have higher liabilities, higher debt service and are increasing expenses without the revenue or cash reserves to back them up and expansion of tuition revenue is not the answer"

Reversing the Law of More

"To reverse the Law of More and create a more differentiated and financially sustainable institution, innovative college and university presidents are doing four things"

Bain Study on Colleges & Universities
Developing a clear strategy, focused on the core *The core is where high-performing institutions invest the most and generate the greatest returns. It is the area where they are the clearest about the value they add. It is the domain where they are the most differentiated and the place from which they derive their identity.*
Reducing support and administrative costs *As colleges and universities look to areas where they can make cuts and achieve efficiencies, they should start farthest from the core of teaching and research. As new programs are added, old programs are not curtailed or closed down. The resulting breadth of activities creates too much complexity for staff to manage with any efficiencies of scale.*
Freeing up capital in non-core assets *Whether it is real estate, physical assets or intellectual property, colleges and universities are involved in a number of activities where partnerships with third party providers would allow for financial relief and improved performance.*
Strategically investing in innovative models *Until you have defined your core strategy and identified significant capital to invest in creating academic value, you will not survive in the online arena. To implement a strategy that allows the organization to focus on the core, reduce costs, outsource and monetize assets, and develop online and lower-cost programs, institutional leaders need to bring key stakeholders on board and be clear about roles and accountability.*

Where are we going?

- Annual tuition increases several times the rate of inflation
- While leaders might have a sense of what needs to be done, they may not know how to achieve the required change that allows the School not just to survive, but also thrive with a focused strategy and a sustainable financial base.
- Institutions have more liabilities, higher debt service and increasing expense without the revenue or the cash reserves to back them up.
- Institutions have become overleveraged.
- Administrative and student services costs are growing faster than instructional costs. And fixed costs and overhead consume a growing share of the pie

…. Reversing the Law of More

What does it mean for your school to develop a clear strategy, focused on the core?

Are there ways to reduce support and administrative costs

Can you free up capital in non-core assets?

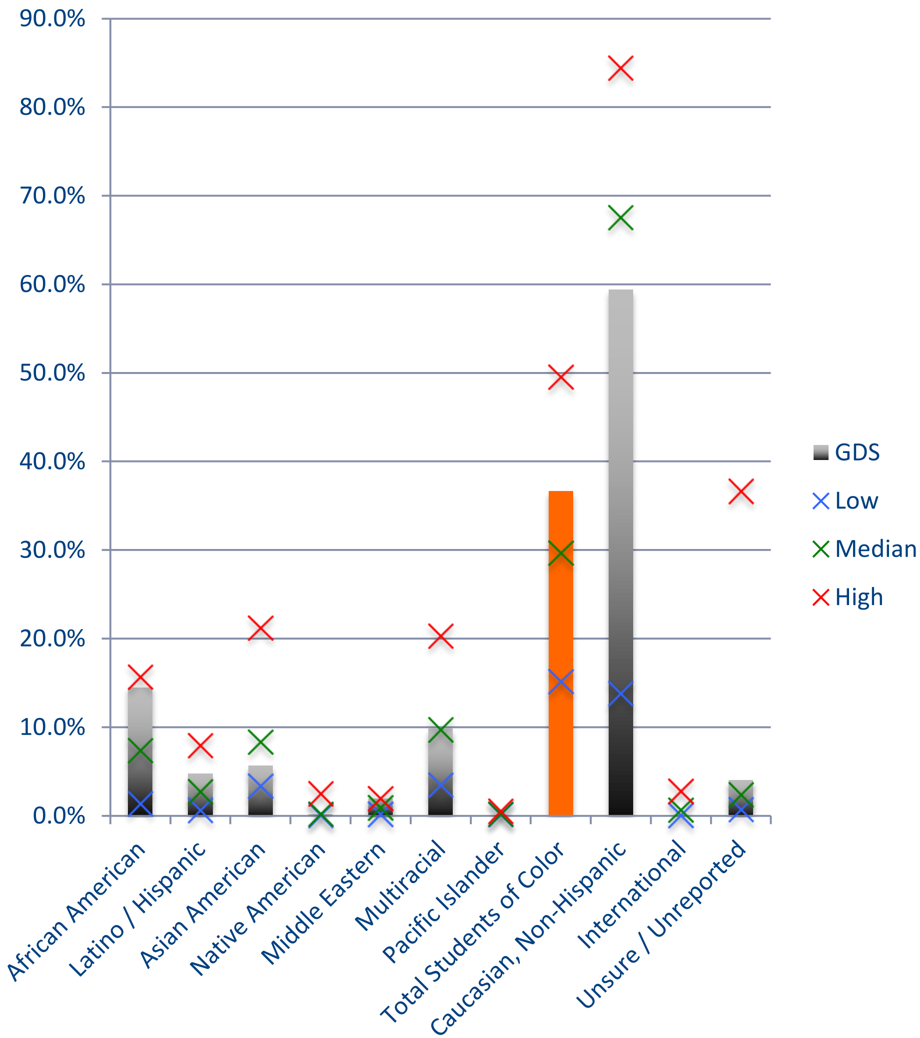
Are there investments that can be made in innovative models to further financial sustainability?

Challenges and Opportunities

- Bringing key stakeholders on board
  - Getting those in the middle to engage
  - Faculty have low tolerance for change that disrupts routines AND they care deeply about the School
- There is no return to the status quo
  - This is the "new normal"
  - Change needs to be institution wide
- Budget does not always correlate with value
  - Finding our Mission in the Budget
  - Finding the right scale for operations
- Roles and accountability
  - Alignment and trust
  - Not just another management plan
  - Functional and individual accountability

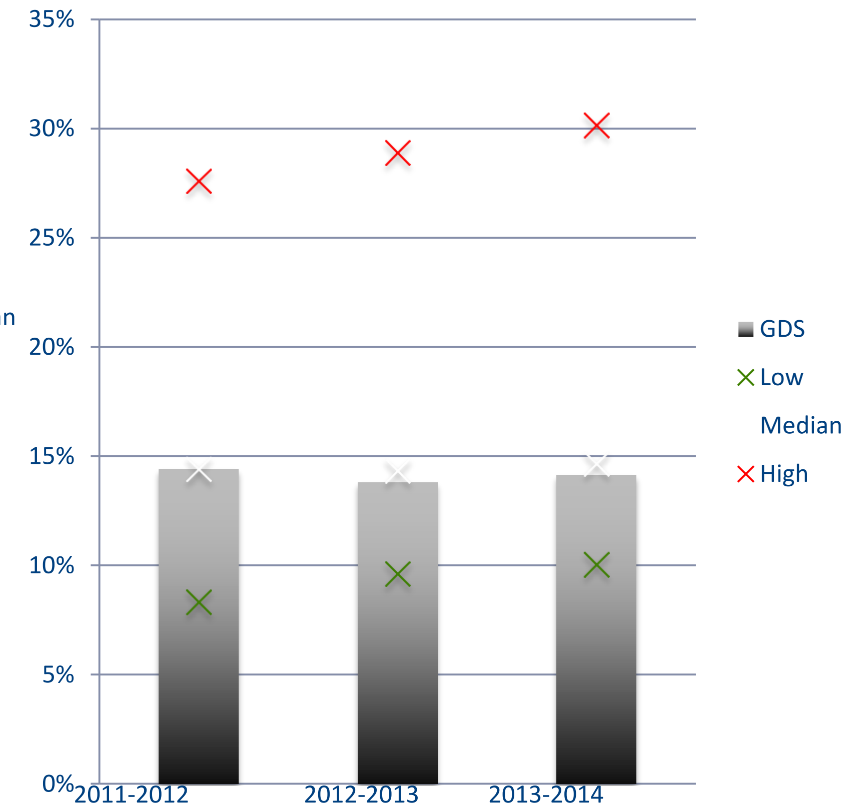
Where is our mission in our budget?

Where we were
Where we are
Where we are going
How we will know



Tuition Discount as a % of Net Tuition Revenue

GDS's aggregate financial aid and tuition remission is at the median of our peer group. The highest tuition discount is twice the value of the median



Budgeting Guidelines

- Target lowest possible tuition increases
- Minimize fluctuations in tuition and salary
- Increase financial aid allocation to defined goals over a defined period of time
- ……………………

How are we going to get there?

Where we were
Where we are
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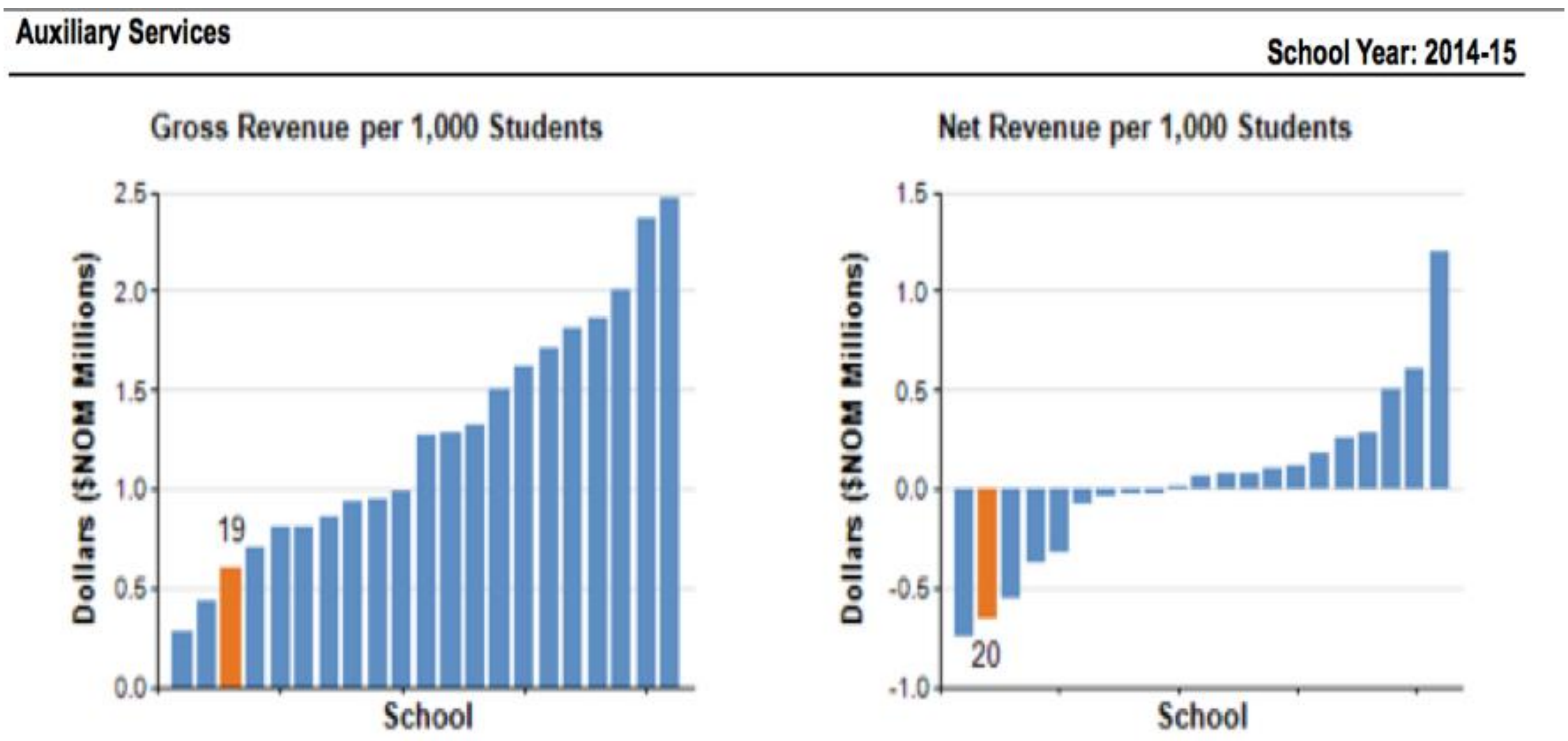
How we will know

Typical camp and after school auxiliary programs are not working for GDS!



Reduction in Expenses - Campus Unification

Development of Retail/Residential Complex

Leverage annuity revenue source

Where we were
Where we are
Where we are going
How we will know

Bricks and Operations Master Plan

- Managing tuition ….. and expenses through campus unification
  - Targeted tuition management plan
  - Mission in our expenses
  - Re-evaluating student support services
- Aligning board and school leadership with understanding of “uses” and “sources”
  - Financing strategies
    - Targeted leverage strategy
    - Alternative revenue sources
- ……..and a building

~~Thriving~~ Through the Next Crisis…

Preparing for, anticipating……..

- Tuition management strategy
- Expense management strategy
    - Mission reflected in the budget
    - Allocation of resources
- Diversified revenue management
- Debt strategy

The New Financial Model

Where we were
Where we are
Where we are going
How we will know

1973

INDIAN
CREEK
SCHOOL

ICS ENROLLMENT & REVENUE

Fiscal Year Ended June 30, 2013	Fiscal Year Ended June 30, 2014	YTD Actual June 30, 2015	Board Approved 2014-2015	$ Change	% Change	Preliminary 2015-2016
		*				
21	26	36	36			38
28	25	20	20			34
188	166	162	161			150
173	172	173	173			166
218	217	226	226			236
628	606	617	616			624
ment, 616 paying						
12,833,840	12,752,154	13,175,443	13,237,160	(61,717)		13,778,150
(1,966,800)	(2,234,811)	(2,738,338)	(2,669,668)	(68,670)	2.6%	(3,093,606)
10,867,040	**10,517,343**	**10,437,106**	**10,567,493**	**(130,387)**	-1.2%	**10,684,544**
84.67%	82.48%	79.22%	79.83%			77.55%

Sample ICS Tuition History

Indian Creek 6th Grade/Middle School

- 1977-1978: $1,550
- 1985-1986: $3,750
- 1995-1996: $7,525
- 2005-2006: $15,015
- 2015-2016: $22,800

What was the early trend?

What was the trend from the last 10 years?

Is the current mix of enrollment and tuition balancing ICS' operating budget? Did it *REALLY* balance in the past 5 years?

Is this sustainable for the next 10 years?

Understanding History

Our historic tuition increases are striking when compared to the cost of another product, average home prices and when compared to average household incomes

In 1995 (20 years ago)

- **6th grade tuition at ICS was $7,525**
- A Ford Taurus base price was $18,195
- AACo average home price was $180,000
- Mid-Atlantic average HH income was $51,555

In 2005 (10 years ago)

- **6th grade tuition at ICS was $15,015**
- A Ford Taurus base price was $24,550
- AACo average home price was $425,000
- Mid-Atlantic average HH income was $73,980

In 2015 (today)

- **6th grade tuition at ICS is $22,800**
- A Ford Taurus base price is $29,370
- AACo average home price is $358,000
- Mid-Atlantic average HH income is $83,722

20-year CAGR

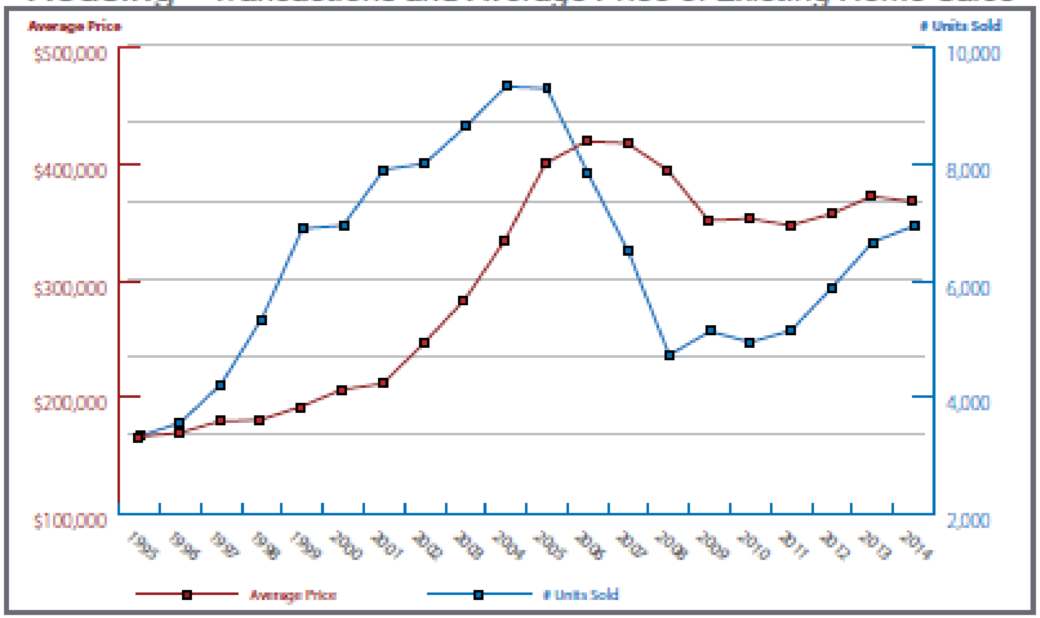
- 6th grade tuition: 5.7%
- Ford Taurus base price: 2.3%
- AACo Average Home Price: 3.5%
- Mid-Atlantic average HH income: 2.45%

10-year CAGR

- 6th grade tuition: 7.15%
- Ford Taurus base price: 1.6%
- AACo Average Home Price: 8.97%
- Mid-Atlantic average HH income: 3.68%

Housing in AA Co.

Housing - *Transactions and Average Price of Existing Home Sales*



AACo Demographics

Description	2010	2015	2020	% Growth (2010-2015)	% Growth Forecast (2015-2020)
Total Population and Households					
Population	537,656	562,658	584,826	4.65	3.94
Households	199,378	207,727	216,454	4.19	4.20
Households with School Age Population					
Households with Children Age 0 to 17 Years	68,992	69,787	69,065	1.15	-1.03
Percent of Households with Children Age 0 to 17 Years	34.60	33.60	31.91	-2.89	-5.03
School Age Population					
Population Age 0 to 17 Years	125,061	126,621	125,458	1.25	-0.92
Population Age 0 to 4 Years	34,586	34,639	33,813	0.15	-2.38
Population Age 5 to 9 Years	34,315	35,760	36,557	4.21	2.23
Population Age 10 to 13 Years	27,897	28,509	28,527	2.19	0.06
Population Age 14 to 17 Years	28,263	27,713	26,561	-1.95	-4.16

FINANCIAL SUSTAINABILITY

TWO STUDIES: TWO EDUCATIONAL SETTINGS: SIMILAR OUTCOMES

Spectrum Project and Bain & Co.

LEAN

COLLABORATIVE AND FOCUSED ON CLARITY

ACADEMICALLY RIGOROUS

GUIDED (NOT GOVERNED) BY THE STRATEGIC PLAN

DEBT-AVERSE

DISCIPLINED ENDOWMENT DRAW

FOCUSED ON BENCHMARKING

TOP-DOWN DECISION-MAKING

QUALITY, NOT QUANTITY, IN BUDGET TRAINING

HIGH-PERFORMING SCHOOLS:

FOCUSED ON OUTCOMES, BUT FLEXIBLE IN ACHIEVING THEM

BY JEFFREY SHIELDS AND GENEVIEVE MADIGAN, NBOA

NBOA's Spectrum Project Report provides potential insights into characteristics and behaviors that lead to greater financial sustainability among independent day schools.

More than a year ago, NBOA embarked on a journey intended to reveal the distinct characteristics of "high-performing" independent schools. The project began with vast ambitions; some stakeholders (a mix of independent school leaders, NBOA staff and research experts from McKinley Advisors) envisioned an effort comparable to Jim Collins' 1994 best-seller *Built to Last*, a six-year research project based on a study of highly successful publicly traded companies. Limiting

The financially sustainable university

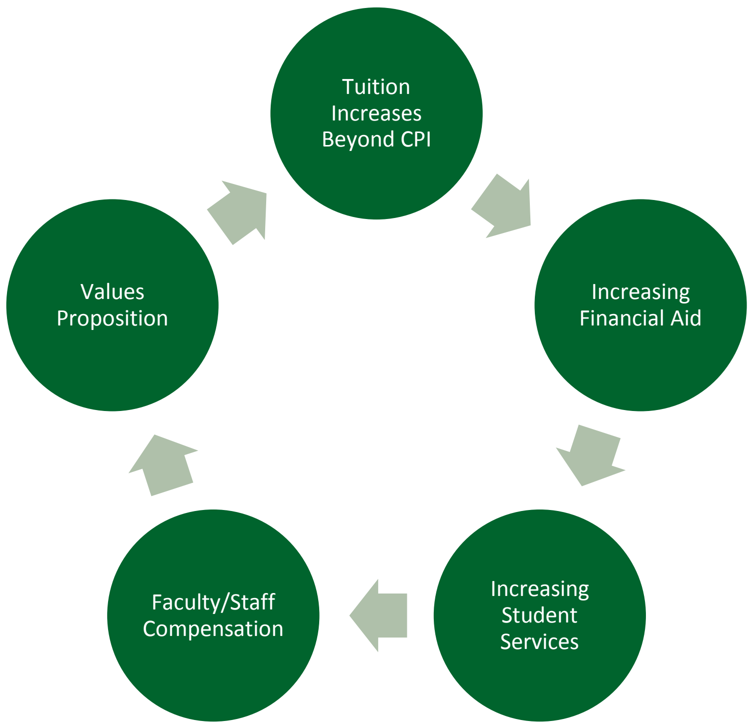
A focused strategy can help colleges and universities reinvent their industry and stop spending beyond their means

By Jeff Denneen and Tom Dretler

STERLING PARTNERS

BAIN & COMPANY

The Merry-Go-Round



NBOA’s Spectrum Project Report: High Performing Schools

Article is in *Net Assets*, Nov/Dec 2014

“Report provides potential insights into characteristics and behaviors that lead to greater financial sustainability among independent day schools.”

Headline…

“HIGH PERFORMING SCHOOLS:

Focused on Outcomes, But Flexible in Achieving Them”

Courtesy of NBOA

Common Traits Among High Performing Schools *(courtesy of NBOA)*

Lean

- Fewer students
- Approx. half as many administrative, non-teaching staff

Collaborative and Focused on Clarity

- Clear expectations
- Strive to build consensus
- Work hard to explain critical matters

Academically Rigorous

Guided (not governed) by the Strategic Plan

- Have a strategic plan
- Guide to achieve the outcomes

Traits, continued *(courtesy of NBOA)*

Debt-Averse

- Use debt very conservatively

Disciplined Endowment Draw

- Less likely to have altered in the last 5 years

Focused on Benchmarking

- Define success and measure it
- Benchmark against a cohort of a few local schools vs. national
- Scrutinize enrollment trends in evaluating performance

Top-Down Decision Making

Quality, not Quantity, in Budget Training

The Financially Sustainable University

- Liquidity issues arose because we succumbed to the “Law of More”
- Must reverse the “Law of More” By
  - Developing a clear strategy, focused on the core
  - Reducing support and administrative costs
  - Freeing up capital in non-core assets
  - Strategically investing in innovative models

Focusing on the Core

- "It is the area where they are clearest about the value they add."
- Differentiation point
- Identity
- Culture
- "the strategic anchor"

"In any industry, there are 3 primary paths to competitive advantage: differentiation (product), low cost (price) or structural advantage (process)."

Admin, Capital and Innovation

- Reduce support and administrative costs
  - Cut from the outside in (build from the inside out)
  - Look for economies of scale/outsourcing
  - Perpetual enrollment contracts?
- Free up capital in non-core assets
  - Perhaps less of an issue for independent schools (typically research universities)
- Strategically invest in innovative models
  - ICS: BLinc
  - GDS: Campus Master Plan includes real estate alternative revenue

Thinking Differently, Changing the Trajectory

Bain Study on Colleges & Universities	*Assessment of ICS*
Annual tuition increases several times the rate of inflation	
While leaders might have a sense of what needs to be done, they may not know how to achieve the required degree of change that will allow their institution not just to survive, but also thrive with a focused strategy and a sustainable financial base.	
Institutions have more liabilities, higher debt service and increasing expense without the revenue or the cash reserves to back them up.	
Institutions have become overleveraged.	
Administrative and student services costs are growing faster than instructional costs. And fixed costs and overhead consume a growing share of the pie	

…. Reversing the Law of More

Tuition Increases: CPI versus Reality

Average yearly CPI increase for the past 10 years is 2.28%.

Tuition increase in any given year that was less than 2.28%? How many?

It's not just about affordability, but about managing expectations.

Year	Annual	HALF1	HALF2
2005	3.4	3.0	3.8
2006	3.2	3.8	2.6
2007	2.8	2.5	3.1
2008	3.8	4.2	3.4
2009	-0.4	-0.6	-0.1
2010	1.6	2.1	1.2
2011	3.2	2.8	3.5
2012	2.1	2.3	1.8
2013	1.5	1.5	1.4
2014	1.6	1.7	1.5
2015		-0.1	

Source: NAIS and U. S. Dep't of Labor

ICS and the Law of More…

- Tuition increases, net tuition revenue decreases
- Faculty and staff salaries are predominantly below the AIMS median for similar positions
- Salaries not increasing in line with local CPI
- One campus is 40+ years old and went several years without any significant maintenance or upgrades
- Until 2015-2016 majority of technology equipment was 5-7 years old
- Newest bus is 10 years old
- Annual giving not closing “the gap”

Thinking Differently, Changing the Trajectory

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…. Reversing the Law of More

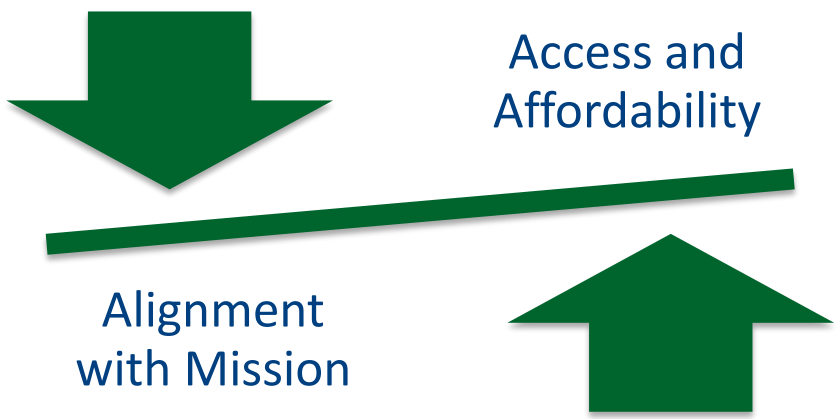
Defining Financial Sustainability

What does financial sustainability mean to ICS?

- School and family financial sustainability
- Lower tuition, higher salaries and additional, targeted financial aid and STARS program
- Predictability of tuition and salary increases
- Other sources of revenue that significantly feed the operating budget
- Expense management
- Reserves
- Additional endowment and endowment draw
- What else?

Major Driver: Tuition

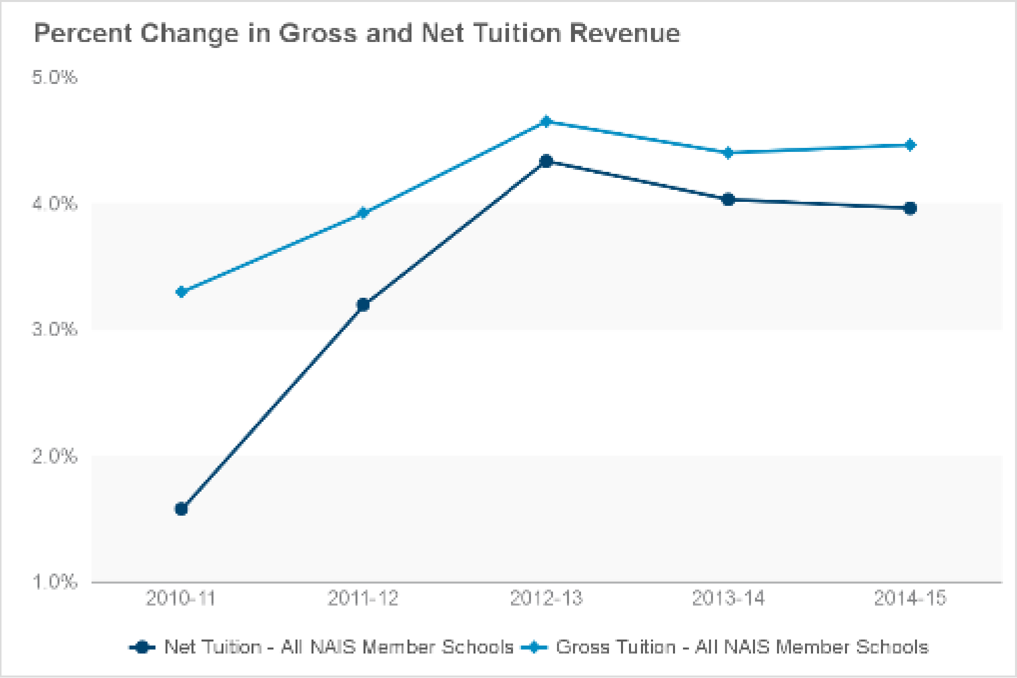
Annual Tuition Increases: Projected Middle School											
FY16	$ 22,800										
	FY17	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**	**FY27**
2.5%	$ 23,370	$ 23,954	$ 24,553	$ 25,167	$ 25,796	$ 26,441	$ 27,102	$ 27,780	$ 28,474	$ 29,186	$ 29,916
3.0%	$ 23,484	$ 24,189	$ 24,914	$ 25,662	$ 26,431	$ 27,224	$ 28,041	$ 28,882	$ 29,749	$ 30,641	$ 31,561
3.5%	$ 23,598	$ 24,424	$ 25,279	$ 26,164	$ 27,079	$ 28,027	$ 29,008	$ 30,023	$ 31,074	$ 32,162	$ 33,287
4.0%	$ 23,712	$ 24,660	$ 25,647	$ 26,673	$ 27,740	$ 28,849	$ 30,003	$ 31,203	$ 32,452	$ 33,750	$ 35,100
5.5%	$ 24,054	$ 25,377	$ 26,773	$ 28,245	$ 29,799	$ 31,438	$ 33,167	$ 34,991	$ 36,915	$ 38,946	$ 41,088
		A 3% per year change in the tuition increases over 11 years results in >$11,000 more tuition by FY27.									



WHERE ARE WE GOING?

CHALLENGING OUR VISION AND OUR MODEL

Net Tuition Revenue



NET TUITION REVENUE AS THE DRIVER

Net Tuition Revenue Modeling

- WHAT IS IT? Budget is based on net tuition (with a specified enrollment) rather than a budget for gross tuition and financial aid
- WHY? Effective way to increase revenues when divisions/classes are not at capacity – any amount paid at or above capacity net tuition COULD BE a plus!
- HOW? Must be modeled and managed with short and long-term goals and strategies (especially in PS-12 schools).
    - Many ways to implement and can be structured to honor a school's culture:
        - Current financial aid process,
        - Sliding scale with tax returns,
        - Set tuition for x number of years.

Intentional Net Tuition

- Prepare program break-even analyses! Overall and then by division. KNOW the breaking points!
- Prepare analysis of existing assistance by grade/program to understand "aid-heavy years".
- Families still apply for assistance with the current process…net tuition is the amount they can pay.
- Goal is to meet or exceed the identified net tuition requirements WITHOUT adding to the expense structure.
- Consider and discuss impact on future years.

Modeling for Net Tuition Revenue

- Identify **core program elements and their total cost** (break out direct costs and overhead such as administration, debt service, facilities, etc.) and segment the model appropriately. If time is of the essence – start with totals and then break down by program later!
- Most important element of success is **balance**!
- Calculate **capacity** (by division, grade and program).
- Calculate **break-even for program** (in total, by division, by grade, etc.) and with all overhead/admin required to run the school.
- What is the **net tuition you need** to break-even by program?

Considerations

- Is the amount of net tuition reasonable given our target market(s), the demographics of our market, our capacity and our tuition rate?
  - If not, what can change?
  - What *HAS* to change?
  - What elements are so vital to our program that they *SHOULD NOT* be changed?
- How does the required net tuition calculated by the model compare to our current financial assistance commitments?
- What happens to these numbers in 3 years? 5 years? 10 years?

CORE VALUES BUDGETING

Indian Creek: Core Values Budgeting

	For the Fiscal Years Ending…	Fiscal Year Ended June 30, 2012	Fiscal Year Ended June 30, 2013	Fiscal Year Ended June 30, 2014	BUDGET 2014-2015	Fiscal Year Ended June 30, 2015	BUDGET 2015-2016	PROJECTION 2015-2016
Enrollment								
	Pre-K	**38**	**21**	**26**	**36**	**36**	**38**	**38**
	Kindergarten	**31**	**28**	**25**	**20**	**20**	**34**	**34**
	Lower School	**200**	**188**	**166**	**161**	**162**	**150**	**150**
	Middle School	**172**	**173**	**172**	**173**	**173**	**166**	**166**
	Upper School	**210**	**218**	**217**	**226**	**226**	**236**	**236**
	Total	**651**	**628**	**606**	**616**	**617**	**624**	**624**
	** Includes 20 from Eagle Cove: 3 PreK, 4 K, 11 LS, 2 MS: 617 actual enrollment, 616 paying*							
Tuition								
	Tuition	12,725,609	12,833,840	12,752,154	13,237,160	13,175,443	13,778,150	13,983,717
	Less:							
	Need-Based Financial Aid	(986,392)	(1,092,594)	(1,405,688)	(1,875,000)	(1,849,945)	(2,172,745)	(2,172,745)
	STARS	(253,755)	(251,495)	(215,130)	(222,135)	(217,335)	(202,320)	(202,320)
	Merit Scholarships	(146,000)	(115,500)	(144,500)	(157,000)	(155,500)	(171,610)	(171,610)
	Discounts: Early Eagle, Eagle Cove	(75,625)	(85,780)	(62,900)	(96,000)	(84,105)	(97,805)	(97,805)
	Tuition Remisson	(349,467)	(421,431)	(406,593)	(404,940)	(431,453)	(449,126)	(449,126)
	Total Tuition Discounts	(1,811,239)	(1,966,800)	(2,234,811)	(2,755,075)	(2,738,338)	(3,093,606)	(3,093,606)
	Net Tuition Revenue	**10,914,370**	**10,867,040**	**10,517,343**	**10,482,085**	**10,437,106**	**10,684,544**	**10,890,111**
A	*% Net Tuition Revenue*	*85.77%*	*84.67%*	*82.48%*	*79.19%*	*79.22%*	*77.55%*	*77.88%*
	Need-Based Aid as a % of Gross Tuition Revenue	*9.75%*	*10.47%*	*12.71%*	*15.84%*	*15.69%*	*17.24%*	*16.98%*
	Merit Scholarships as a % of Gross Tuition Revenue	*1.15%*	*0.90%*	*1.13%*	*1.19%*	*1.18%*	*1.25%*	*1.23%*
	Discounts as a % of Gross Tuition Revenue	*0.59%*	*0.67%*	*0.49%*	*0.73%*	*0.64%*	*0.71%*	*0.70%*
	Tuition Remission as a % of Gross Tuition Remission	*2.75%*	*3.28%*	*3.19%*	*3.06%*	*3.27%*	*3.26%*	*3.21%*
	Fees	390,023	396,430	364,081	380,295	355,914	383,730	365,580
	Total Net Tuition and Fees Revenue	**11,304,393**	**11,263,471**	**10,881,424**	**10,862,380**	**10,793,019**	**11,068,274**	**11,255,691**

Indian Creek: Core Values Budgeting

Direct Expenses								
B	Salaries	6,303,208	6,731,869	6,580,904	6,721,671	6,852,847	7,367,244	7,367,244
C	Benefits	1,392,367	1,468,651	1,581,703	1,572,073	1,567,071	1,657,369	1,676,569
D	Instructional Expenses	487,847	497,088	465,471	489,600	506,243	487,626	487,626
E	Administrative Expenses	599,910	592,007	550,523	593,100	673,088	526,329	526,329
F	Interest Expense	551,843	531,614	511,812	523,600	440,494	399,656	399,656
G	Facilities	651,267	638,405	649,736	615,800	742,170	618,060	618,060
H	Depreciation and Amortization	737,115	743,001	784,918	786,613	872,601	794,479	887,161
	Contingency				0	0	0	0
	Total Direct Expenses	10,723,558	11,202,634	11,125,066	11,302,457	11,654,513	11,850,763	11,962,645
Net Revenue from Direct Program		580,835	60,837	(243,643)	(440,077)	(861,494)	(782,489)	(706,954)
Other Program Net Revenues:								
I	BLinc.				(58,500)	(4,099)	(15,000)	0
J	Cafeteria	24,372	23,030	209	(3,000)	(28,461)	(1,422)	(1,422)
K	Creek Care & Creek Summer	55,591	27,879	13,149	29,200	35,414	19,245	9,245
L	Rentals	48,201	36,022	29,227	42,000	16,956	33,000	33,000
M	Transportation	(139,245)	(115,368)	(104,557)	(132,413)	(134,599)	(173,130)	(203,130)
N	Miscellaneous	32,970	22,189	76,427	25,400	45,572	22,200	22,200
	Total Other Program Revenues	21,889	(6,248)	14,455	(97,313)	(69,217)	(115,107)	(140,107)
Net Revenues Before Nonrecurring Expense and Fundraising		602,724	54,589	(229,188)	(537,390)	(930,711)	(897,595)	(847,060)

Translating Current ICS Budget Goals

- Finding better balance in net tuition revenue – all discounts listed
- Reduce reliance on fundraising: fundraising is listed “below the line” (hence all the red ink – we still rely on it, budget balances at bottom)
- Invest in BLinc and mission consonant alternative revenue programs: separate lines on P&L (net)
- Improve faculty and staff compensation: separate lines on P&L
- Strategically invest in food service and transportation: each has their own P&L and are shown net on the face of the statements

Moving Forward

Phase I

- Continue developing a multi-year model that succinctly displays ICS' core values, innovative investments, strategic plan and key indicators
- Mission-centered, net tuition revenue modeling and expense alignment
- Investment in innovative programming and new revenue stream development

Phase II

- Campus unification
- Continued development of new revenue streams, possibly with vacated campus

Thriving Through the Next Crisis…

- Take action now!
- Reflect: what did your school learn from 2008? What should you do differently today to prepare?
- Remember: endowments didn't save us in 2008/2009.
- Accept that there is no one, magic solution – diversification is key!
  - Plan around your core mission.
  - Modify your financial plan/align expenses accordingly.
  - Pay down and/or refinance debt to reduce debt service.
  - Negotiate alternative debt covenants.
  - Invest strategically in diversifying revenue streams.
  - Increase cash reserves.

Questions?

Contact:

Rahel Rosner
Georgetown Day School
rrosner@gds.org

Linda Dennison
Indian Creek School
ldennison@indiancreekschool.org