

GUIDE TO BUSINESS

For New School Heads

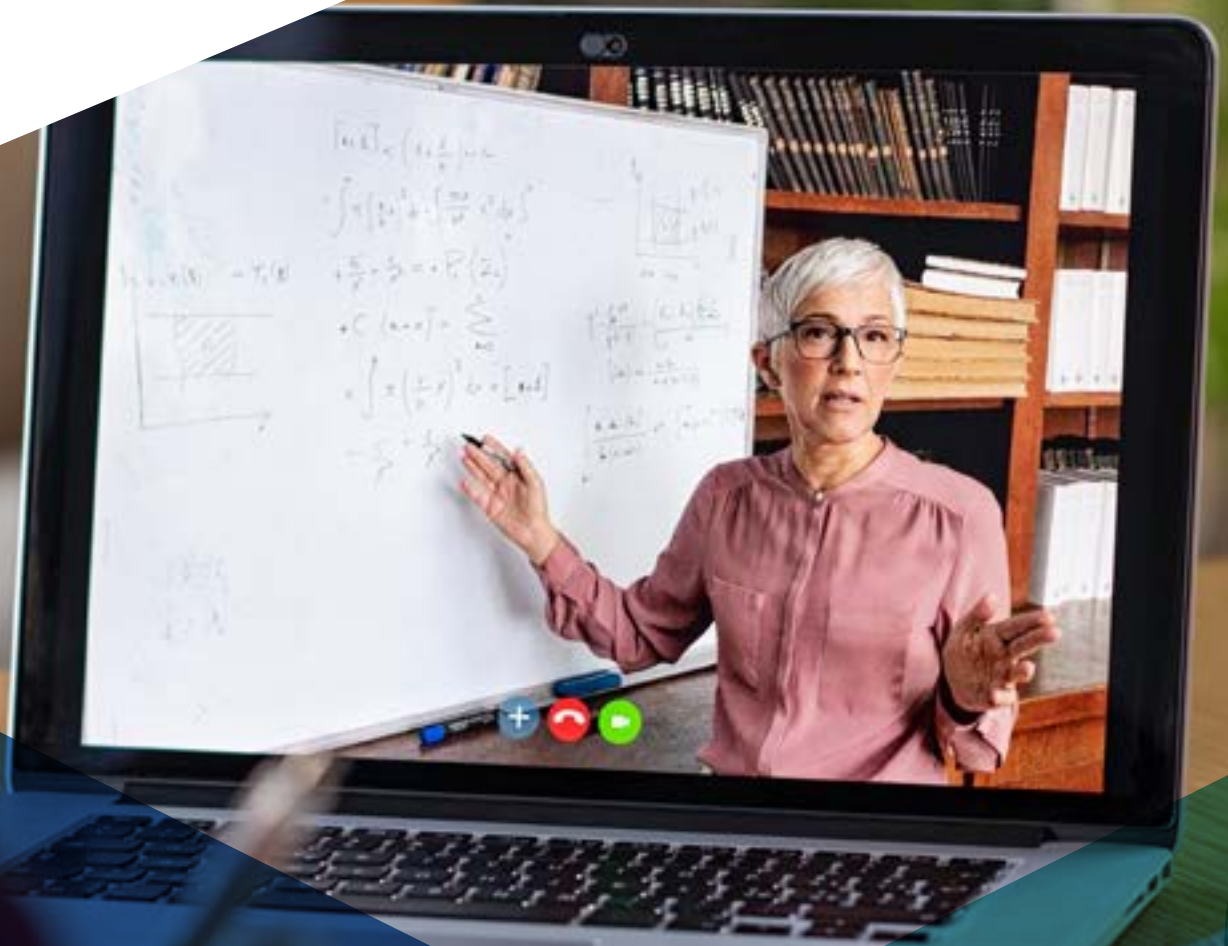


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Jaclyn has over a decade of experience in K-12 edtech and is passionate about technology and innovation. A frequent speaker at K-12 industry events, she loves sharing what makes schools thrive and grow, including admissions, finance, marketing, the customer experience, and school sustainability. She lives and works in Baltimore.



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You're New, **What's Next?**

You've probably been in education for many years, but this may be your first time in a head of school role or a role that has board oversight, financial components, or regular meetings with the business manager.

It's a lot to take in, especially if the closest you've come to a budget is the one you have for your own household. The complexities (and the potential chaos) of school finance can be overwhelming when you're thrown into the deep end. That's why we created this short guide to help you feel more comfortable in your new role and give you something to refer to on the days when profit and revenue seem like they must just be the same thing.

What to expect:

Definitions: When it comes to finances, we find that straightforward definitions come in handy. We've provided them in this guide!

Best Practices: There are some financial best practices that apply to every institution – no matter how big, small, simple, or complex.

Resources: When you're ready, we have some more in-depth resources you can explore to help supplement this guide.



Finance Definitions: **A Quick Start Guide**

Budget

A school budget is your financial plan of record. It should consider your past results (actuals) and allow for future projections (good, bad, and neutral). It should be considered school policy – a framework for decisions, communications to stakeholders, and prioritization of goals.

Operating Budget

This document is completed in advance of your accounting period/fiscal year end. It will require expected costs in the upcoming year, known expenses (e.g., utilities), and forecasted income.

Cash Flow (Revenue)

Cash flow or operating cash flow (OCF) is the amount of cash on hand that the school generates from its revenue.

Balance Sheet

Your balance sheet will be a statement of your school's assets, liabilities, and capital, and will also detail the state of those assets, liabilities, and the equity of that capital over a given time period.

Financial Statements

You will be given monthly and year to date (YTD) financial statements to review as well. The YTD report will compare your school's current financial performance to past performances year-over-year. The monthly financial reports provide a summary of a company's revenues, expenses, and profits/losses. You'll want to pay closest attention to your profit and loss and cash flow.

Profit & Loss (P&L) or Income Statement

A profit & loss will outline your school's revenue (cash flow) and expenses for a given time period – most likely for a month. The statement will then determine the surplus or deficit for your school for that given month.

Examples of School Revenue

Remember cash flow?

Cash flow is the amount of cash on hand that the school generates from its revenue. This is different from **profit**. Your school is **profitable** if you still have a surplus after your expenses are considered on your P&L statement each month.

But we digress.

In order to understand school finance, growth, and how to create sustainable sources of revenue, we first need to understand what those sources actually are.

Here are some common sources of school revenue as well as additional revenue streams that you may consider exploring in the future:

- **Tuition:** This revenue is collected from families on a recurring basis and remitted to the school.
- **Fundraising:** Small fundraisers can help offset monthly P&L, but large, recurring fundraising efforts (e.g., annual giving, endowment) are more likely to affect revenue in the long term.
- **Misc Assets:** Endowments, investments, scholarship funds, and similar aid can provide financial stability for schools.
- **Misc Fees:** Fees for technology access, clubs, and other extracurriculars can help offset or cover expenses and then some. You could also charge fees to members of the local community for use of your campus facilities during off-hours.
- **Registration Fees:** Enrollment fees can be an important source of revenue, especially when looking at seasonal cash flow.
- **Online Programs:** Offering your school's curriculum online asynchronously could be a significant, untapped source of revenue.
- **After-School Programs or Tutoring:** College test prep, tutoring, and college counseling are just some of the additional opportunities parents may be willing to pay for before or after school.
- **Before/After/Summer Care:** For busy parents, reliable childcare before and after school and during the summer might be just what they need.



Examples of School Expenses

Remember the P&L statement?

When looking at your P&L statement, you might be surprised by how high the monthly expenses are.

Running a school is expensive and establishing a goal of profitability is difficult – though not impossible!

It's important to understand some common expenses at schools to begin thinking about ways to optimize revenue and growth.

- **Salaries and Benefits:** Salaries, hourly wages, and benefits will make up most of your school's expenses.
- **Financial Aid:** Although financial aid is not administered from revenue, it can affect the balance sheet and overall P&L if the proportion of students paying total tuition and fees goes down and a significant driver of revenue came from tuition.
- **Debts:** There will always be debts!
- **Marketing:** Investment in marketing and growth comes at a cost. The marketing budget is key to success, but there will be associated monthly expenses.
- **Facilities and Maintenance:** Utilities, rent, repairs, lawn care, and other campus maintenance are regular, recurring expenses.
- **Technology and Programs:** Implementing new programs and technology to remain competitive and offer innovative curriculum and extracurriculars may require significant funding.
- **Sports:** Although some parents can and do contribute to school sports programs, there can be additional expenses during sports seasons, especially with traveling teams.



Best Practices to Remember

Start feeling confident in the world of school finance

To **immediately address financial health issues on the P&L**, address tuition collection first—often the biggest driver of revenue for schools and the most immediate area for cash flow issues to arise.

- Ensure you have a clear, strong tuition and billing policy for families. Avoid announcing any grace periods for tuition due dates (which encourages delinquency).
- Work with families who have financial hardships 1:1 and encourage them to always pay something if they can – skipping an entire month makes it more difficult to catch up in the long run.
- Start payment plans before the school year starts and end them one month before the last day of school to give time to communicate to late payers and better estimate cash flow.

When beginning work on your operating budget, it can be tempting to start from a place of estimating financial aid students based on actuals and then estimating the number of projected full-pay or near full-pay families to maintain solvency on the P&L.

- Instead, **try using the Actual Cost Per Student or Net Tuition Revenue model**. In this model, you will calculate:

Total tuition income + total fees income / total enrollment = average revenue per student

Total expenses / total enrollment = average expenses per student

- If the average expenses per student exceed the average revenue, consider whether you are over-discounting your school through financial aid, haven't raised tuition to match rising expenses, or both.



Additional Resources

To learn more and take a deeper dive into school business, we recommend the following resources:

[**NBOA** - National Business Officers Association](#)

[**NAIS** - Ensure Financial Sustainability](#)

[**AISAP** - Association of Independent School Admission Professionals](#)

Elevate Your School Finances.

We hope you've enjoyed this guide to business for new school heads.

This is just the beginning. FACTS is dedicated to helping school leaders just like you provide your entire school with an integrated solution that includes payment plans, billing, reporting, forecasting, delinquency management, fundraising, and more. We're here when you're ready to get started.

CONTACT US NOW

factsmgmt.com
