Navigating Financial Sustainability During the COVID-19 Pandemic:
Tips for Independent School Leaders and Boards of Trustees

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Five Keys to Seeking Clarity and Taking Action as Institutional Stewards:

1. Know where your school falls on the Viability - Stability - Sustainability Spectrum.
   ○ Remember: your school cannot thrive in the years and decades ahead if it cannot survive the next three, six, or twelve months.
   ○ Remain mindful of the ways in which your school’s financial health entering this crisis impacts its ability to navigate the COVID-19 pandemic.

2. Commit to mission-driven, community-centered, data-informed decision making.
   ○ Determine what data your school already collects (and has readily accessible) on the key factors that impact your school’s fiscal health.
   ○ Review historic data that your school has from the Great Recession and other challenging periods to gain insights that could inform actions today.
   ○ Build financial models that accurately reflect the school’s financial operations, but don’t overcomplicate the tool or overfocus on perfect, precise accounting.

3. Determine who is the best person to facilitate discussions and working sessions.
   ○ Engage a financial sustainability consultant, such as Ari Betof from OSC, if you do not have strong in-house expertise.
   ○ This person can help facilitate forthright financial sustainability discussions within the Leadership Team as well as bring together the Leadership Team with the Finance Committee and the greater Board of Trustees.

4. Use an operations versus governance framework to clarify areas of internal leadership and board focus.
   ○ Ensure there are key board members ready to speak to these distinctions.
   ○ Note: it may be appropriate for schools concerned about viability to blur these lines in a time of crisis. Adaptations need to be explicitly named as temporary and extraordinary to the principles of good governance.

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5. Consider the community’s possible perception of your actions.
   ○ Timing, communication, and implementation are just as critical as the financial decisions you make in creating an upward spiral and avoiding a downward spiral.
   ○ Take time to consider the second, third, and fourth order impacts of your choices.

For schools who want to build a similar model on their own, the following is needed:

- **Basic spreadsheet software.** No fancy software required. Any school can build an interactive model in either Excel or Google Sheets.
- **Skill set.** Interactive models require a thorough understanding of your school’s finances and accounting practices, an advanced command of spreadsheet formulas, high data fluency, and a strong designer’s eye for effective visualizations and clear formatting.
- **Time.** An interactive model is similar to a deck of cards, painstaking to build and easy to send crashing down! Individuals with high sophistication in the skill sets mentioned above should be able to build a similar model and input their data in 35-45 hours. The estimate doubles or triples for schools with lower sophistication in the areas mentioned.

Five Keys to Building Data Models:

1. **“If statements” are your friend.**
   The interactivity of a model can be entirely built around if statements. If there is any formula family to master, this is it.

2. **Use data validation to frame your independent variables.**
   The Leadership Team should select independent variable parameters and increments of change. Build these into data validation lists from which your if statements call.

3. **Your dependent variables should be the main KPIs your school is tracking.**
   The Leadership Team should determine the key performance indicators (KPIs) to model. In our model, we are most broadly tracking surplus/deficit, net tuition revenue, and liquidity position.

4. **Use design to reduce cognitive load.**
   Good information design decreases cognitive load by creating a referencing schema that becomes familiar to your audience. The brain loves patterns, and when it recognizes a familiar-looking graph, a consistent color palette, or standard layout the brain unconsciously says “I’ve got this” making the information seem more accessible.

5. **Visualizing change is key.**
   The brain does not have good working memory, so do not expect your audience to remember initial positions or figures as you model. In graphs and charts, always visualize change so that your audience can easily note the impact of their decisions.
A Screenshot of Our Model for Reference

### How could our enrollment and reenrollment be affected?

<table>
<thead>
<tr>
<th>Division</th>
<th>Budgeted</th>
<th>Change in New Enrollment</th>
<th>Change in Reenrollment</th>
<th>Updated Projected</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lower School</td>
<td>119</td>
<td>0</td>
<td>0</td>
<td>119</td>
<td>0.0%</td>
</tr>
<tr>
<td>Middle School</td>
<td>39</td>
<td>0</td>
<td>0</td>
<td>39</td>
<td>0.0%</td>
</tr>
<tr>
<td>Upper School</td>
<td>129</td>
<td>0</td>
<td>0</td>
<td>129</td>
<td>0.0%</td>
</tr>
<tr>
<td>Total</td>
<td>300</td>
<td>0</td>
<td>0</td>
<td>300</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

### How could increased financial need affect our financials?

<table>
<thead>
<tr>
<th>Family Income</th>
<th>Budgeted 5% Students</th>
<th>Median Aid Amount</th>
<th>Change in Aid Amounts</th>
<th>Updated % Students</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 65k</td>
<td>22</td>
<td>$50,000</td>
<td>0</td>
<td>22</td>
<td>0.0%</td>
</tr>
<tr>
<td>65k - 100k</td>
<td>35</td>
<td>$15,900</td>
<td>0</td>
<td>35</td>
<td>0.0%</td>
</tr>
<tr>
<td>100k - 150k</td>
<td>13</td>
<td>$11,600</td>
<td>0</td>
<td>13</td>
<td>0.0%</td>
</tr>
<tr>
<td>150k+</td>
<td>15</td>
<td>$5,000</td>
<td>0</td>
<td>15</td>
<td>0.0%</td>
</tr>
<tr>
<td>Total</td>
<td>75</td>
<td>$165,531</td>
<td>0</td>
<td>75</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

### How will this impact 2020-2021 fundraising?

<table>
<thead>
<tr>
<th></th>
<th>Budgeted</th>
<th>% Change in Goal</th>
<th>Updated Projection</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Fund</td>
<td>$400,000</td>
<td>0%</td>
<td>$400,000</td>
</tr>
</tbody>
</table>

### How will this impact our endowment draw and investments?

<table>
<thead>
<tr>
<th></th>
<th>Budgeted</th>
<th>% Change in Market</th>
<th>Updated Projection</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowment Draw</td>
<td>$135,666</td>
<td>0%</td>
<td>$135,666</td>
</tr>
</tbody>
</table>

### How will this impact our auxiliary revenue streams?

- **You choose to:** Implementing COVID-19 impact on campus attendance
  - **3% lower student 3023 summer camp participation**
  - **1.5% lower student enrollment in school camp**
- **Until when do you limit facility rentals?**
  - **7/1/2020**

### Visualizing 2020-2021 Net Tuition Revenue

- **Total Enrollment:** $300 vs Budget
- **Tuition:** $9,475,854 vs $1,000,000
- **Financial Aid:** ($1,376,500) vs $1,000,000
- **Net Tuition Revenue:** $8,099,354 vs $0

### Visualizing 2020-2021 Actual Surplus/Deficit

- **Revenue:** $9,132,409 vs $9,012,239
- **Expense:** $8,666,073 vs $8,500,000
- **Net Surplus/Deficit:** $466,337 vs $96,239

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