



# The Unusual Independent School Business Model

(and why we continue to live it)



**Tri-State Heads Conference**  
**Mohonk Mountain House**  
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## Genevieve Madigan Brief Introduction

- Chief Financial Officer, Kent Place School, Summit, NJ
- 9 years at NBOA, most recently as Vice President, Professional Development and Research
- 15 years prior as a CFO at independent schools, 10 at The Gow School, single sex boarding school (outside Buffalo, NY)
- Past Faculty, Klingenstein Center, Teacher's College, Columbia University- Independent School Business Operations
- Faculty, Essentials of the Business Office (NBOA's online course)
- Board service for a variety of community and religious groups

# Non Profit is a tax status and not a business model

- Being mission driven doesn't mean we can't or shouldn't plan to have resources to re- invest in our schools.
- This makes people nervous. But if we want to continue to offer the value we need to, in order to attract families to our schools, we need to have a purposeful plan of reinvestment in our facilities and programs.





# As a Business Model, we are definitely unique

- Starting with the obvious- we don't charge what it costs (at least most of us)
- We hire everyone before we know how many students we will have
- Our budgets are balanced based on our constituents desire to voluntarily give us additional monies- which, if we aren't as successful as we need to be, we don't know until it's too late and can't make any adjustments





## More....

- We tend to not sunset anything. Programs are attached to people. In our environment this makes it even harder to create a 'stop doing' program list
- Making choices around people and programs is hard. We are a family.



But wait, there's more...

- We compete against Free- every day
- We are all on Financial Aid





So why do we live with  
this model?

- Because it usually worked, until now....



# People make up 80% of our expenses

- If 80% of our expenses are salaries and benefits, we cannot settle for anything less than exceptional.
- The people we hire need to be the very best they can be and we have to reinvest in them.
- We have a lot of 'beloved'.





# Our value should not be quantified by class size

- We, as an industry, promoted class size as an easy metric that would readily differentiate us from other schools.
- While this was true, the real differentiator was the quality of our faculty and the flexibility in our methodologies. We don't subscribe to 'one size fits all'.
- This DOES NOT mean to advocate large increases in class size. Rather, refocus the conversation to talk about the level of personal attention and the flexibility in instruction within the classroom.
- We created this narrative and we need to fix it.

Lets talk about tuition



# Is your tuition market driven or value driven?

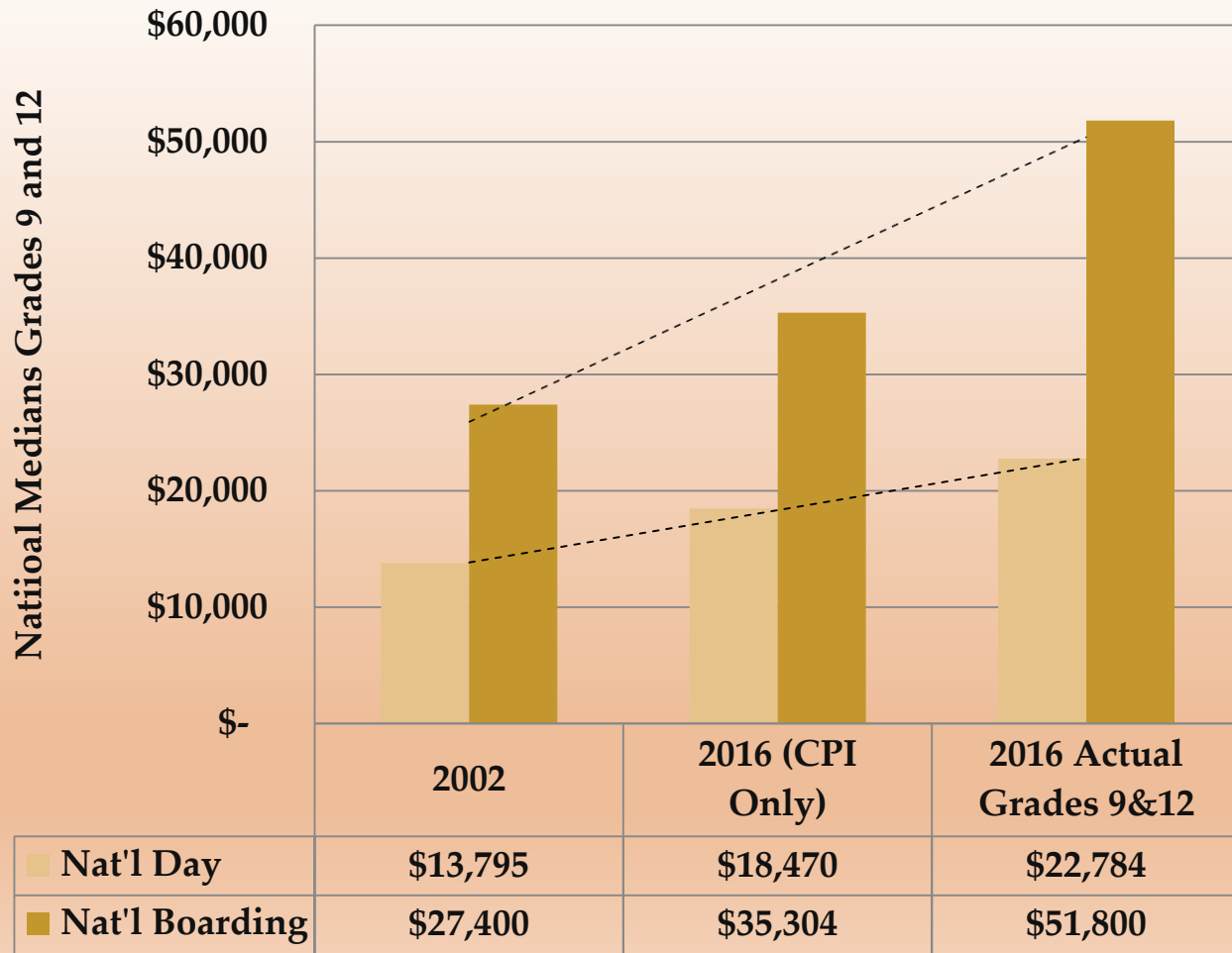
- When it comes to tuition, you either use a market based approach, i.e., charge what your market will bear, or a value based approach- charge what it costs.
  - The reality is most of us are a combination of these things.
- Board conversations about tuition should not be about the number, but about the philosophy and the long term plan.
- Managing family expectations is very important





# Tuition Increases: CPI versus Reality

- Average yearly CPI increase for the past 12 years is 1.96%.
- Has your school had a tuition increase in any given year that was less than 2%?
- It's not just about affordability, but about managing expectations.

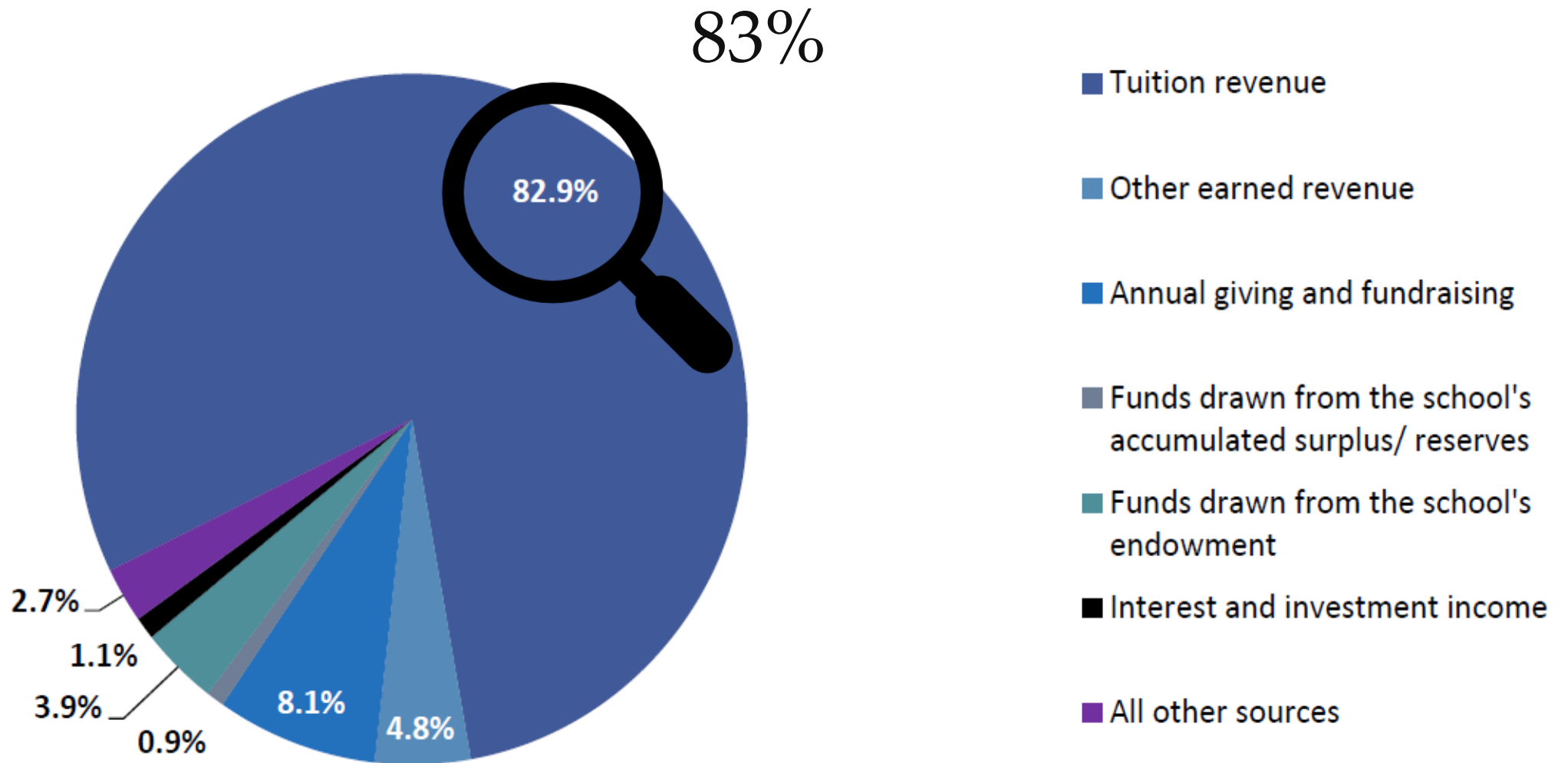


# How Tuition Dependent Are you?

- There is no right or wrong answer.
  - Should you diversify your revenue streams?
  - Should you 'charge' what it costs to attend your school?



# Tuition Dependency: CT, NJ, NY



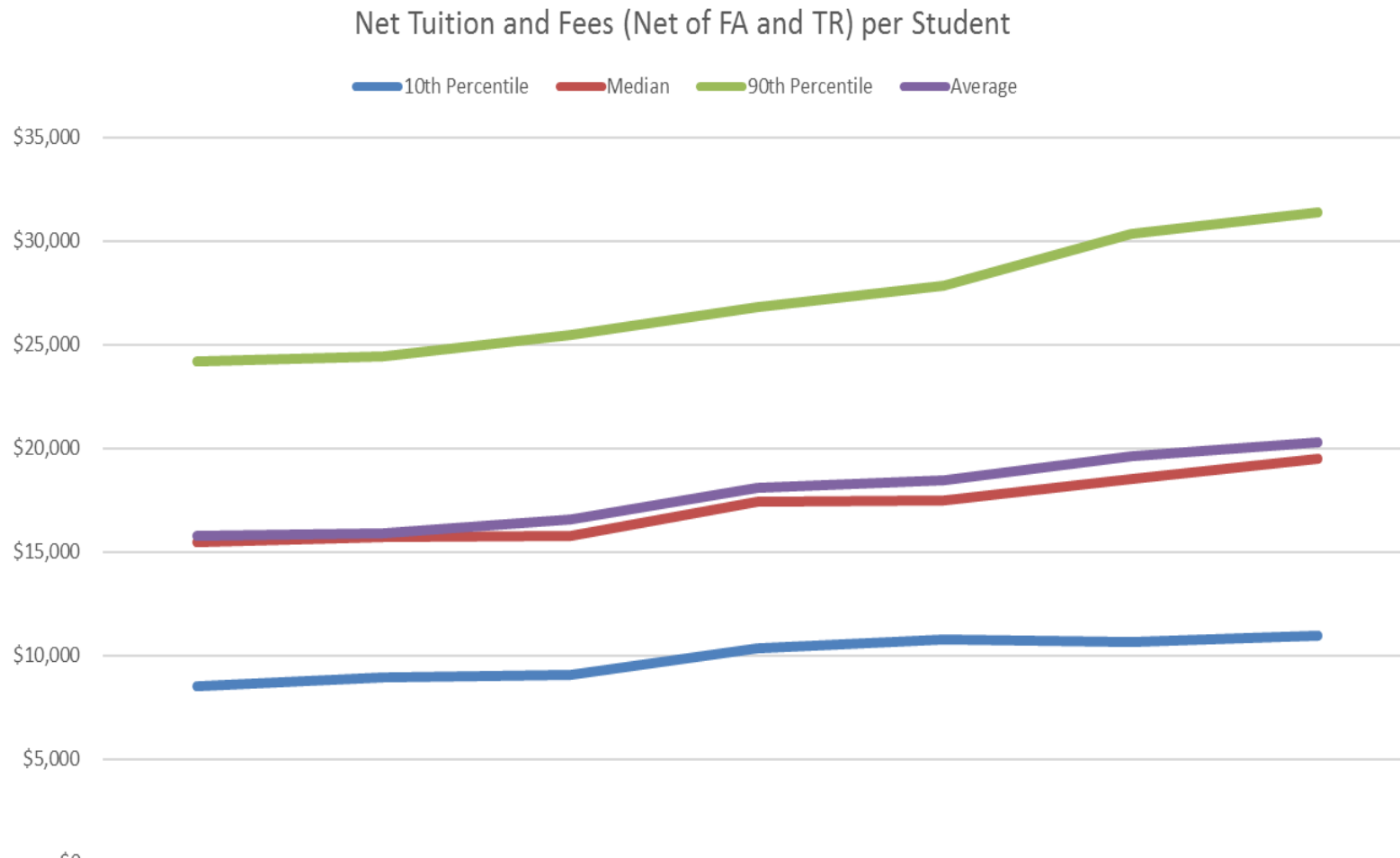


# Why is Net tuition the most talked about number

- It really matters. This is the actual dollars you are getting per child, per grade, per division or averaged out over the entire school.
- Tuition can go up, enrollment can go up and Net tuition can still go down.



# Net Tuition & Fees (net of FA and TR) per student

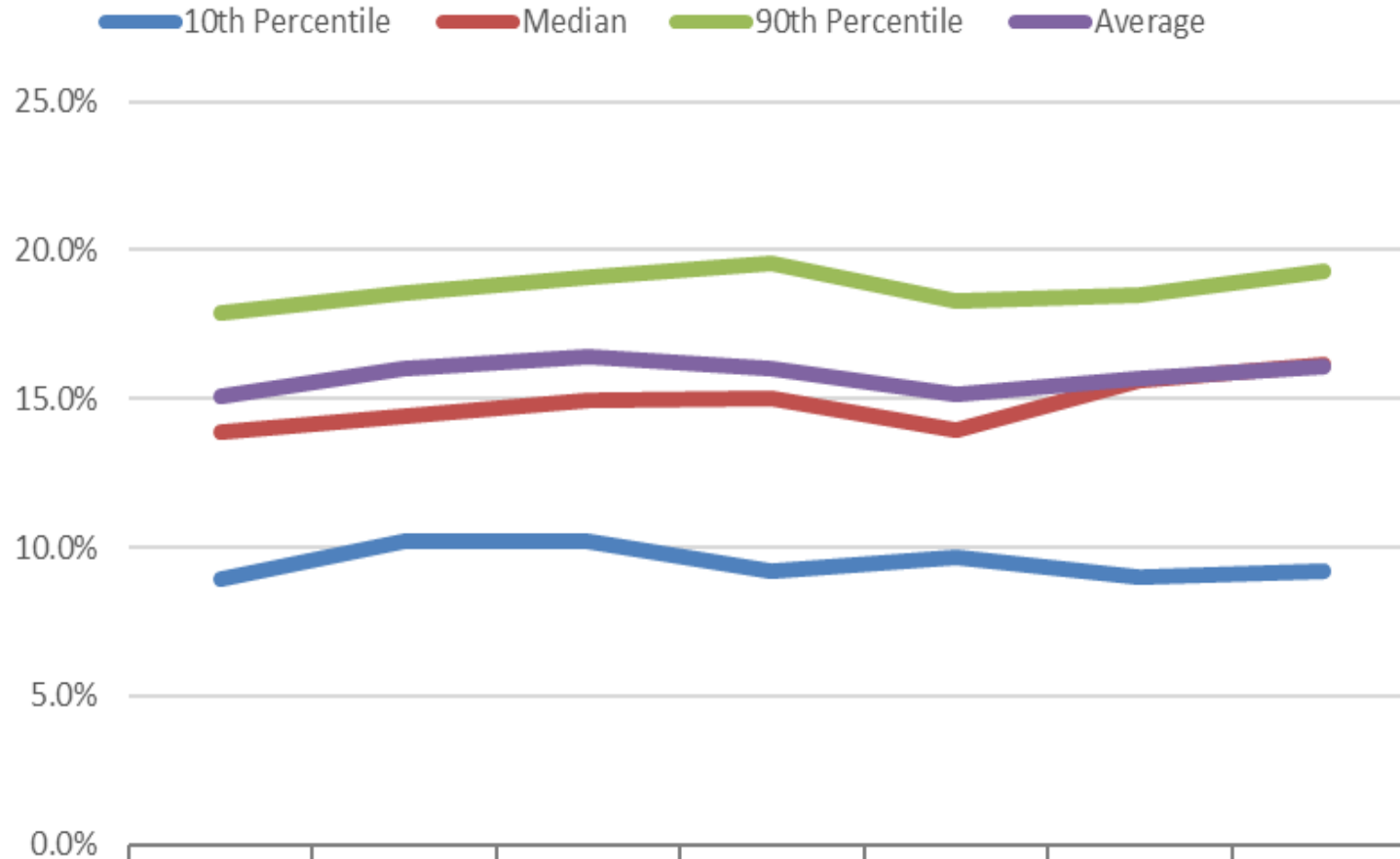


**Net tuition and fees** as tuition and fees net of financial aid and tuition remission. It is important to keep an eye on this number. If the financial aid budget expands or enrollment falls, net tuition fees easily stagnate or decline despite tuition increases. While mission-driven increases in financial aid are perfectly acceptable, using this indicator will help ensure efforts to meet the school's mission don't derail the school overall.

|                 | 2010     | 2011     | 2012     | 2013     | 2014     | 2015     | 2016     |
|-----------------|----------|----------|----------|----------|----------|----------|----------|
| 10th Percentile | \$8,531  | \$8,936  | \$9,037  | \$10,327 | \$10,748 | \$10,664 | \$10,962 |
| Median          | \$15,441 | \$15,678 | \$15,741 | \$17,438 | \$17,459 | \$18,538 | \$19,483 |
| 90th Percentile | \$24,204 | \$24,412 | \$25,493 | \$26,806 | \$27,869 | \$30,312 | \$31,353 |
| Average         | \$15,780 | \$15,896 | \$16,590 | \$18,076 | \$18,436 | \$19,624 | \$20,291 |



## Total Discount as a Percent of Gross Tuition and Fees



|                 | 2010  | 2011  | 2012  | 2013  | 2014  | 2015  | 2016  |
|-----------------|-------|-------|-------|-------|-------|-------|-------|
| 10th Percentile | 9.0%  | 10.2% | 10.2% | 9.2%  | 9.7%  | 9.0%  | 9.2%  |
| Median          | 13.9% | 14.4% | 15.0% | 15.0% | 14.0% | 15.6% | 16.1% |
| 90th Percentile | 17.9% | 18.5% | 19.1% | 19.5% | 18.3% | 18.5% | 19.3% |
| Average         | 15.1% | 16.0% | 16.4% | 16.0% | 15.2% | 15.7% | 16.1% |

Total discount rate takes into consideration both financial aid and remission.



# Net Tuition Discussion:

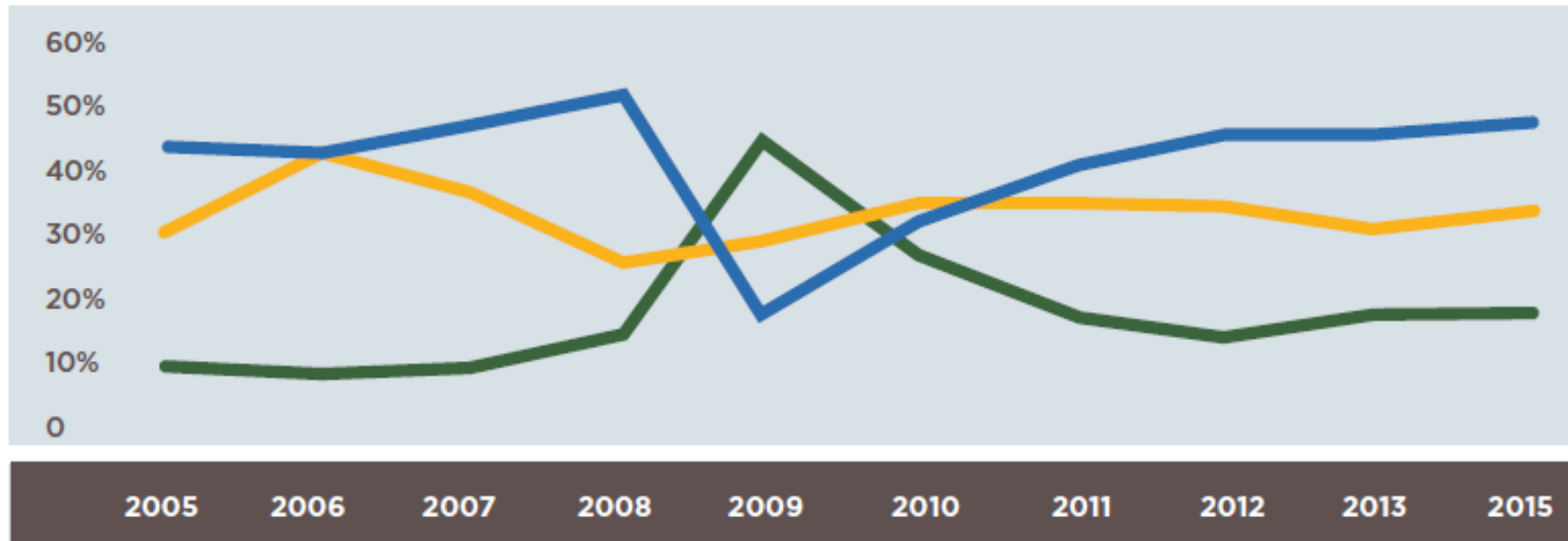
- **What would happen if we stopped offering financial aid and reduced our tuitions accordingly?**
  - **Would we open our schools to more families?**
  - **Or would we be less accessible?**
  - **Would we erode our value?**



# Employment

## Schools Reporting a Change in the Number of Employees, 2005-2015

■ % of schools reporting Increase In FTEs     ■ % of schools reporting decrease In FTEs  
■ % of schools reporting no change In FTEs



If you could change one thing about the independent school model what would it be?





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