

Trinity School Financial Presentation 2014

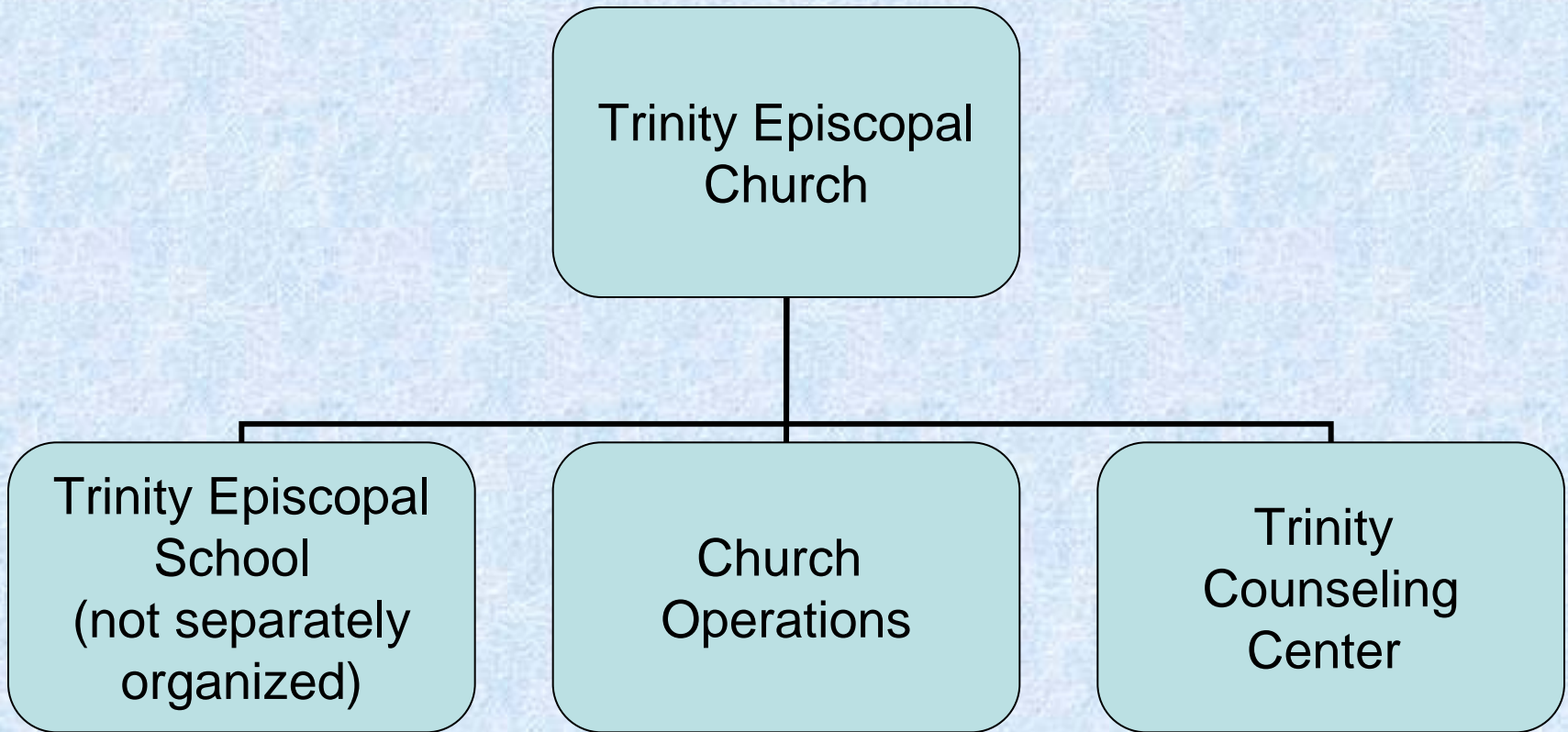
Jeremy Head
Treasurer

Trinity Organization

- Trinity Episcopal School is a division of Trinity Church, not a separately organized entity
- The School Board has been granted authority over School affairs by the Church Vestry

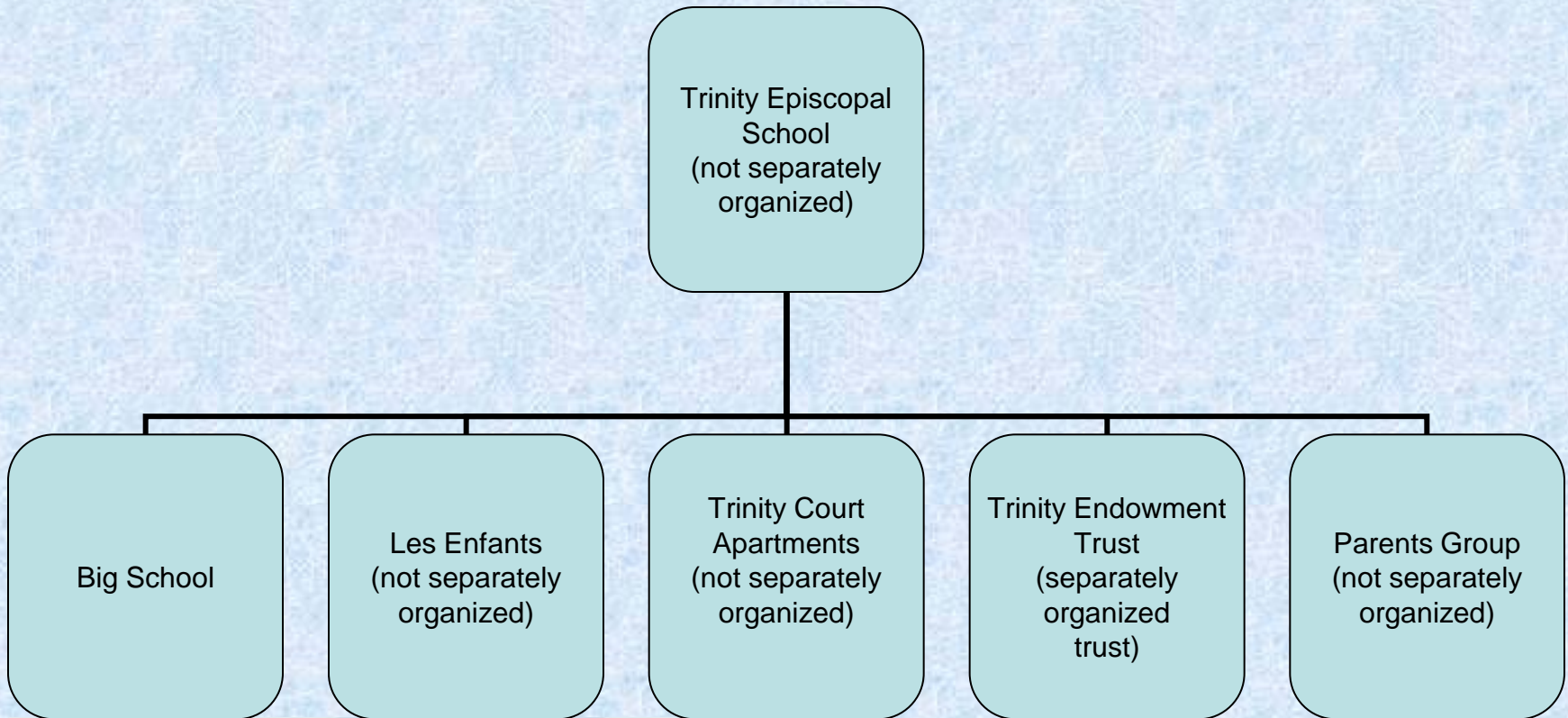
Trinity Organization

Trinity Church Structure



Trinity Organization

Trinity School Structure



2013-14 Current Year

- Projected revenues are slightly behind budget. Actual enrollment less than budgeted enrollment.
- Projected expenses are lower than budgeted, mainly due to savings in employee benefits (budget at full participation, but not all employees take advantage).
- Building and grounds is in line with budget. Working on extending 5 year plan originally done in 2010.

Billing and Collection

- Board adopted new collection policy in 2012.
- Business Office pursues specific delinquent accounts.
- Total amounts of delinquent accounts broken out between 30, 60, and 90+ days are monitored by the finance committee and Board on a monthly basis.

2014-15 Budget Overview

- Process
 - Administration drafts initial budget
 - Finance Committee discussions with Michael and Corrinne
 - Budget assumptions (number of students for Big School and Les Enfants, rate of expense growth, bond interest rate, Trinity Court net income, tuition collection, Annual Fund, debt service)
 - Non-recurring income and expenses, particularly buildings and grounds
 - Potential cost savings
 - New programs, positions or needs
 - Presentation of budget to full Board; presentation to Vestry
- Bond principal amortization included in budget
- Tuition decision is predicated on detailed budget analysis

2014-15 Budget Key Assumptions

Big School Revenues

- Student Count: 386 students budgeted vs. 380 current students.
- Tuition: 3.75% increase, as approved by the Board.
- Fees: All fees now included in tuition.
- Endowment Revenues: Ability to draw 3-7% of 3 year rolling average ending June 30th. As approved by Endowment Trustees, we conservatively approved a 3.5% draw.
- Board Designated: Not designated for operating funds for upcoming year.
- Annual Giving: \$346,000, a 4% increase from the 2013-14 goal.

2014-15 Budget Key Assumptions

Big School Expenses

- Personnel Expense: 3% increase is budgeted to provide a pool for raises for all personnel to be distributed by Fr. Michael as he deems appropriate (includes merit based raises and additional staffing needs).
- Retirement: The General Convention of the Episcopal Church is mandating a 5% contribution for all lay employees, with a 4% match by 2018. Currently, we are making the 5% contribution with a 2% match.
- Property, Repair and Maintenance: From the 5 year maintenance plan--includes estimate for projected capital investment required for 2014-15 year and estimated regular annual maintenance.
- Maintenance Reserve: Budget includes \$50,000 to continue a capital/property maintenance reserve. These funds will be held in the operating account or board designated funds but will be available to cover maintenance/capital cost shortfalls.
- Financial Aid: Faculty Remission and need based financial assistance is budgeted at 9% of estimated tuition revenue, with a split of 35% Faculty Remission and 65% Need Based. (A portion of this is funded by dedicated endowment funds that are transferred from endowment each year).
- Technology Expense: Becoming a larger portion of budget. Administration currently developing a long range technology plan to map school's technology program and cost in future.

2014-15 Budget Key Assumptions

- **Les Enfants Revenues**

- Tuition: Average tuition increase 2.6%. Larger increase for 5 day half day program to be comparable to market competitors. No increase for 5 day full day program where tuition is at market rate.
- Student Count: Budget reflects 100 Les Enfants students; current enrollment is 97. Les Enfants is the only early education school affiliated with a local ISAS school to be NAEYC accredited.
- Trinity Court: Estimated at \$95,000.

- **Les Enfants Expenses**

- Personnel Expenses: Reflects a 3% increase for a raise pool.
- Plant, Administrative and Program Expenses: Little to no increases in these expense classes.
- Debt Service: Reflects interest expense budgeted at .80% (current interest rate is 10 basis points- .10%) and principle amortization on a schedule to repay the bonds in 2017 (one year earlier than the 2018 maturity)
- Bond Issuance Costs: Reflects projected expenses based on the Remarketing Agreement and other fees.

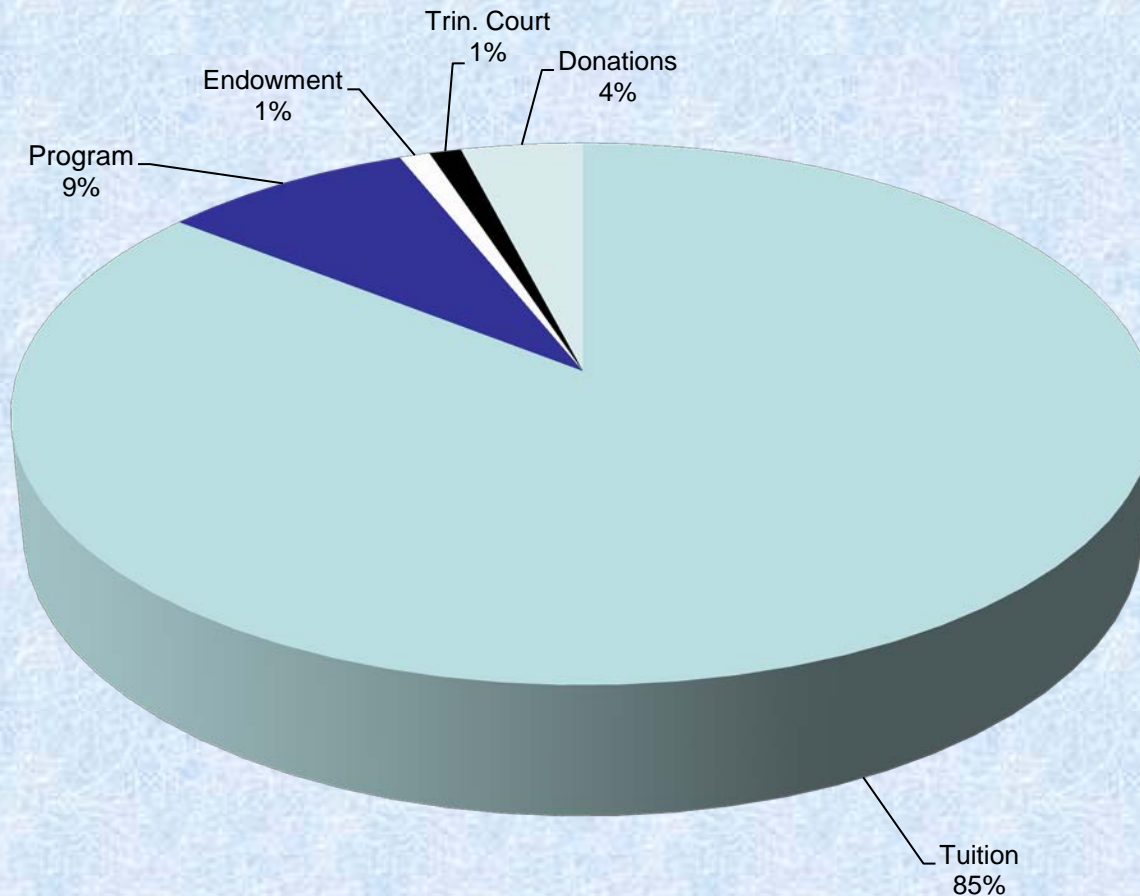
2014-15 Budget Revenues (Combined)

- **Total projected revenues = \$9,068,640**
 - Tuition and fees = \$7,757,370 (85%)
 - Program income (with lunch) = \$751,500 (9%)
 - Endowment transfers = \$90,704 (1%)
 - Trinity Court net = \$95,000 (1%)
 - Donations = \$363,466 (4%)
 - Miscellaneous = \$10,600 (<1%)
 - Mandated Services not budgeted

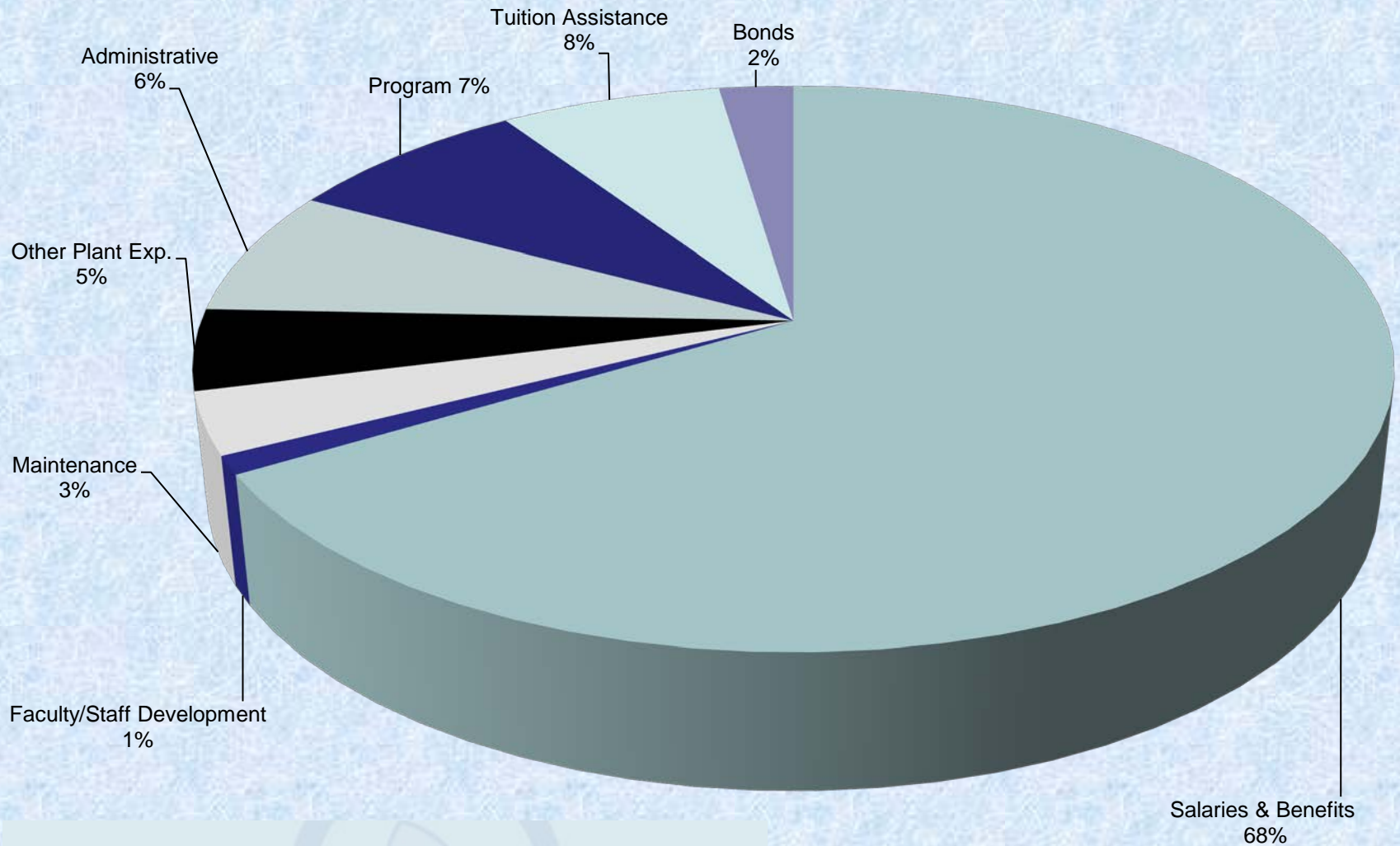
2014-15 Budget Expenses (Combined)

- **Total projected expenses = \$9,068,540**
 - Salaries & Benefits = \$6,089,174 (68%)
 - Faculty development = \$96,125 (1%)
 - Repairs/Maintenance = \$325,000 (3%)
 - Other Plant Expenses = \$425,769 (5%)
 - Administrative = \$559,445 (6%)
 - Program = \$714,050 (7%)
 - Tuition Assistance/Remission= \$642,977 (8%)
 - Bonds = \$216,000 (2%)

Total Revenues



Total Expenses



Strategic Focus

- Defining optimal enrollment
- Retention
- Reduced reliance on endowment/board designated
- Building and grounds proactive approach.
- Tuition sustainability and predictability – any increase tied to reasonable and needed operations/capital improvements while providing highest quality education.

Revenue Enhancement

- Revenue Enhancement
 - Admissions
 - Retention
 - Government programs
 - Expanded donor base (alumni; grandparents; parents of alumni)
 - Extracurricular activities (summer camps; expanded after school programs);

Revenue Enhancement (Admissions and Retention)

- Number 1 revenue source = tuitions (85%)
- Focus on retention
 - Import of 10 year Trinity system
- Focus on Les Enfants Admissions and program development
- Increasing focus on Big School matriculation from Les Enfants
- Input on additional needed improvements is welcomed
- Often stakeholder satisfaction requires new or continued expenditure of funds; that can involve financial trade-offs with limited funds
- Student body was 318 right after Katrina and is budgeted to be 386 for next year.

Revenue Enhancement (Government Programs)

- Strategic focus on maximizing federal and state funds without accepting “strings”
- State “mandated services” funds annually; not included in the budget;
- State and federal funds from ongoing programs
 - Teacher development
 - Technology
 - Textbooks

Revenue Enhancement (Expanded Donor Base)

- Focus on increasing the number of annual donors.
- Focus on 100% participation in annual giving drive.
- Dinners put on by current parents to encourage other families to give at a substantial level.
- Focus on good stakeholder contact info and letters to stay in touch.
- Foundation and corporate gifts only sought where there is a known connection; study shows very limited grants for school like Trinity.

Capital Campaign

- Two of three phases are complete – Pink House renovation/addition and Molly’s House.
- Bishop Polk Hall scheduled to break ground on June 1, 2014.
- Construction expected to end before the start of school.
- Total amount raised to date \$5.2m.
- 5 year pledge terms have been accelerated in many cases. Already collected \$4.1m.

School/Finance Committee Structure

- Structure
 - Corrinne Mestayer serves as CFO
 - Jeremy Head serves as Board Treasurer
 - Board Finance Committee with Board and non-Board Members
 - Audit Committee established – joint committee with Church
 - Endowment Subcommittee; Sandy Villere serves as Chairman
 - Buildings & Grounds Committee now joint Church/School
- Ways we do business
 - Buildings and Grounds 5 year plan
 - Capital Maintenance Reserve
 - Program by program review
 - Financial Dashboard monthly
 - Streamlined monthly reporting to board
 - Mid-year financials include projected year end as part of budget process
 - Increased focus on accounts receivable collection

Tuition Assistance

- Includes two components: faculty remission and financial aid
- Budgeted at 9% of total tuition revenue with 35% of that for faculty remission and 65% of that for financial aid
- 2014-15 budget: \$642,977 total, with \$221,712 faculty remission and \$421,265 financial aid
- Faculty remission
 - Faculty attraction and retention tool-more a perk than true financial aid; more tenured faculty are favored
 - Maximum faculty remission = 50% of tuition; 1 year of seniority = 10%; 2 years = 20%; etc. to a 50% max; faculty receives up to 25% remission at LE (5% per year of service).
- Financial Aid
 - Only to students who meet our admission guidelines
 - No 100% tuition remittances; each family contributes towards tuition.
 - Approximately 68 students awarded financial aid for 2013-14.
- Tuition assistance improves diversity, helps fill smaller classes, improves revenues because of partial tuitions payments and improves admissions as parents seek diverse school environments

School Bonds

- \$2.8 million bond issuance in 2003 to construct Les Enfant; due 2018
- Floating, short term interest rate (weekly remarketing) based on LC bank
- Strategic focus on bonds
 - Annual principal payment included in budget
 - Extra cash (primarily from donations and government funding) used for payments above budgeted amounts; \$1,845,000 paid; current balance \$775,00; additional \$185,000 will be paid in June 2014.
 - Bonds restructured in 2009 to obtain a AAA-rated LC bank, which reduced interest rate to .10% of late
- Budget goal is to retire bonds by 2017
- Income stream from Trinity Court apartments dedicated to bond payments

School Investment Funds

- Two pools of School investment: board designated and endowment trust
- Endowment is a separate trust entity managed by independent trustees for the benefit of the School
- Endowment trust anticipates allocation of between 3% and 7% of Trust balance averaged for June 30 of each of last 3 years
- Board has followed same approach for Board designated funds, however there has been no distribution from Board designated funds to supplement operations in several years.
- Endowment provides security for the School; post-Katrina we learned the import of Endowment.
- Full review of financial advisors and investment policy statements conducted in 2010-11; Endowment Committee meets quarterly.

Table of Endowment Balance Changes

	01/31/2011	01/31/2012	01/31/2013	01/31/2014
Board Designated	\$1,969,324	\$2,015,171	\$2,251,373	\$2,531,429
Endowment	<u>\$2,785,499</u>	<u>\$2,621,644</u>	<u>\$2,956,811</u>	<u>\$3,310,353</u>
TOTAL	\$4,754,823	\$4,636,835	\$5,208,184	\$5,841,782

Current Asset Allocation – Equity 65%, Fixed Income 31%, Cash & Equivalents 4%

Closing Impressions

- Budget process is exhaustive
- Break even, conservative budgeting
- Tuition increases tied to reasonable and necessary expenses to maintain high quality education.
- Trinity incorporates fees into tuition, so be careful about apple to apple comparisons to other schools
- Board and Administration believes that Trinity tuition and fees are less than most competitors, yet student/teacher ratio is higher than most.
- Donations and annual return from School investment funds are critical to operations.