

Is Your Board Financially “Literate”?

Andy Kaplan, Board
Member/Treasurer

Camp Havaya

- Camp of the Reconstructionist movement
- In the Poconos, PA
- Camp Havaya is all about the joy of summer camp with the freedom to be who you truly are
- Diverse and accepting community
- Focus on “How We Be” – Being our best selves
- About 400 campers over two sessions, family camp, No’ar Hadash Israel Experience



My Background

- My Background:
 - Camp board about 8 years, Treasurer for last 4
- Experience as business operator and investor
- Educational Technology/Services
 - Scholastic, Kaplan
- Private Equity
 - Quad, EGP



Finance Level Set

- Familiar with/can read budgets?
- Know what a balance sheet is?
- Understand how P&L, balance sheet, and cash flow statements work together?
- Eyes glaze over during finance conversations, try to nap without head hitting table?
- Feel like you can use finance to look forward and plan?



Accounting Overview

- Three critical financial statements:
 - Income statement – P&L
 - Balance Sheet
 - Cash Flow Statement
- Other critical information:
 - Budget
 - Enrollment metrics;



Income Statement

- Also called “Profit and Loss Statement” – P&L
- Covers a specific period/periods – like a month, year, or year to date
- Starts with Revenues, subtracts expenses, shows net income



P&L: Revenues

Revenue

4000 · Tuition & Fees

4001 · Program/Session 1

4002 · Program/Session 2

4003 · Program/Session 3

4004 · Travel Fees

4005 · Other fees

Total 4000 · Tuition & Fees

4100 · Tuition Discounts

4101 · Early Registration Discount

4102 · Sibling Discount

4103 · Faculty Discount

4104 · Incentive Grants

4105 · Scholarships

Total 4100 · Tuition Discounts

4200 · Donations & Grants

4210 · Grant Income

4230 · Scholarship Donations

4250 · Fund Raising

Total 4200 · Donations & Grants

Total Revenue

P&L: Expenses

Expenses

5000 · Payroll

5010 · Year-Round Staff

5020 · Summer Support Staff

5030 · Unit Staff

5040 · Program Staff

5050 · Payroll Expenses

Total 5000 · Payroll

5100 · Insurance

5110 · Advertising

5120 · Office Expense

5130 · Professional Fees

5140 · Recruitment Travel

5150 · Camper/Staff Travel

5200 · Operations

5210 · Kitchen

5220 · Repairs & Maintenance

5230 · Utilities

5240 · Health Center

5250 · Programs - Training, supplies, equipment

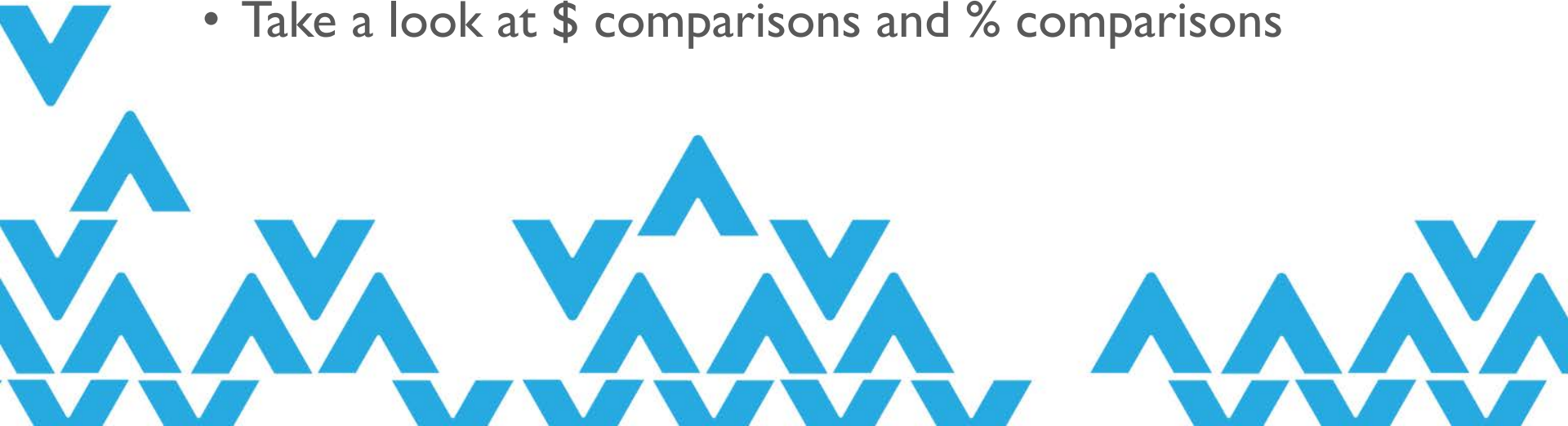
8910 · Amortization

9200 · Depreciation

Total Expenses

Income Statement - Evaluation

- Cash vs. Accrual accounting
- Many camps don't show non-cash expenses on Income Statement (e.g. depreciation, amortization)...but do show non-revenue items (like pledges).
- Keys to evaluate:
 - Comparisons to budget
 - Comparisons to prior periods
 - Comparisons to reforecast
- Take a look at \$ comparisons and % comparisons



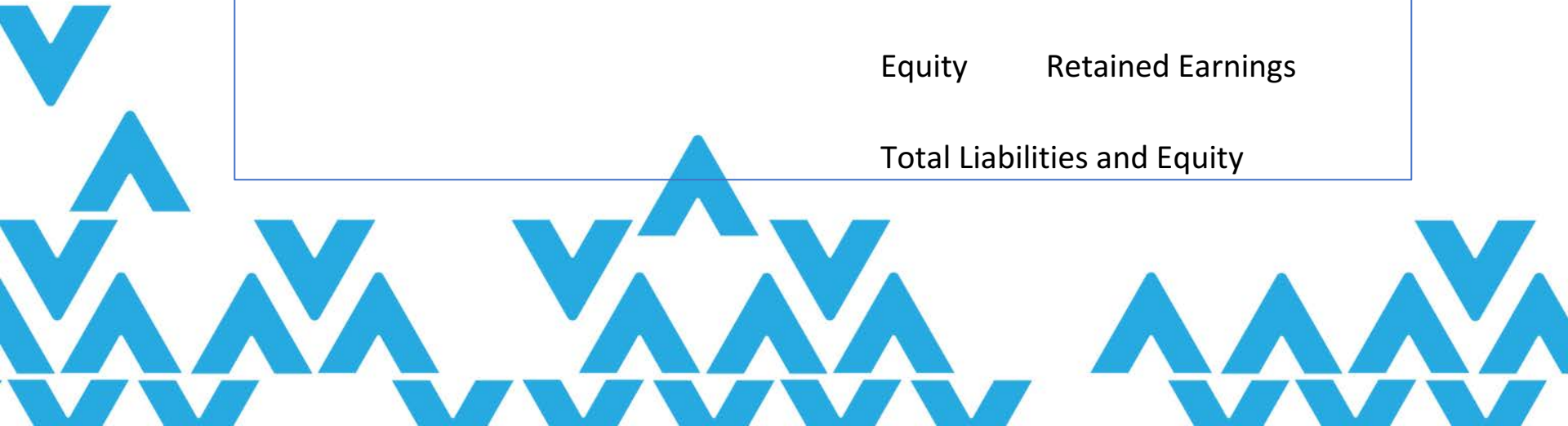
Balance Sheet

- Represents a snapshot of a specific point in time (end of quarter, end of year).
- Shows the assets (camp resources) and funding for those resources (liabilities and equity).
- “Balance” because the two sides – Assets on the one hand and Liabilities + Equity on the other – must balance
- Why is this important?
 - Reflects underlying timing dynamics not captured in income statement – working capital



Balance Sheet Example

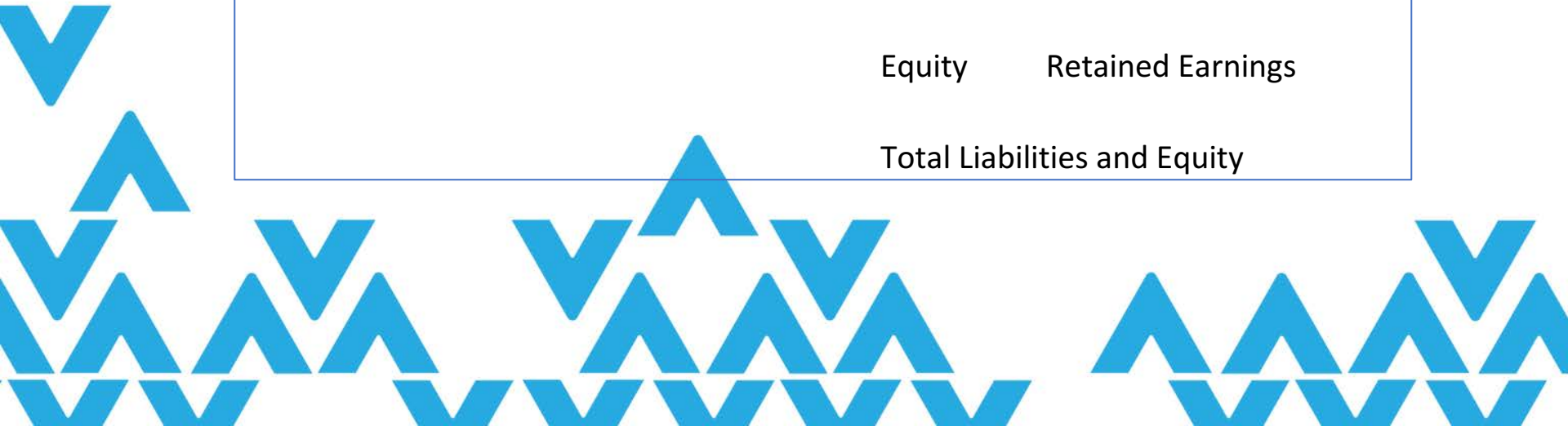
Assets		Liabilities	
Current Assets		Current Liabilities	
Cash		Accounts Payable	
Accounts Receivable		Other Current Liabilities	
Other Current Assets		Temporarily Restricted	
Total Current Assets		Deferred Revenue	
Fixed Assets		Total Current Liabilities	
Land/Building		Long-Term Liabilities	
Accumulated Depreciation		Mortgage	
Total Fixed Assets		Capital Leases	
Total Assets		Total Long-Term Liabilities	
		Equity	Retained Earnings
		Total Liabilities and Equity	



Balance Sheet Example

Assets		Liabilities	
Current Assets		Current Liabilities	
Cash		Accounts Payable	
Accounts Receivable		Other Current Liabilities	
Other Current Assets		Temporarily Restricted	
Total Current Assets		Deferred Revenue	
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Total Fixed Assets		Capital Leases	
Total Assets		Total Long-Term Liabilities	
		Equity	Retained Earnings
		Total Liabilities and Equity	

Change Slowly

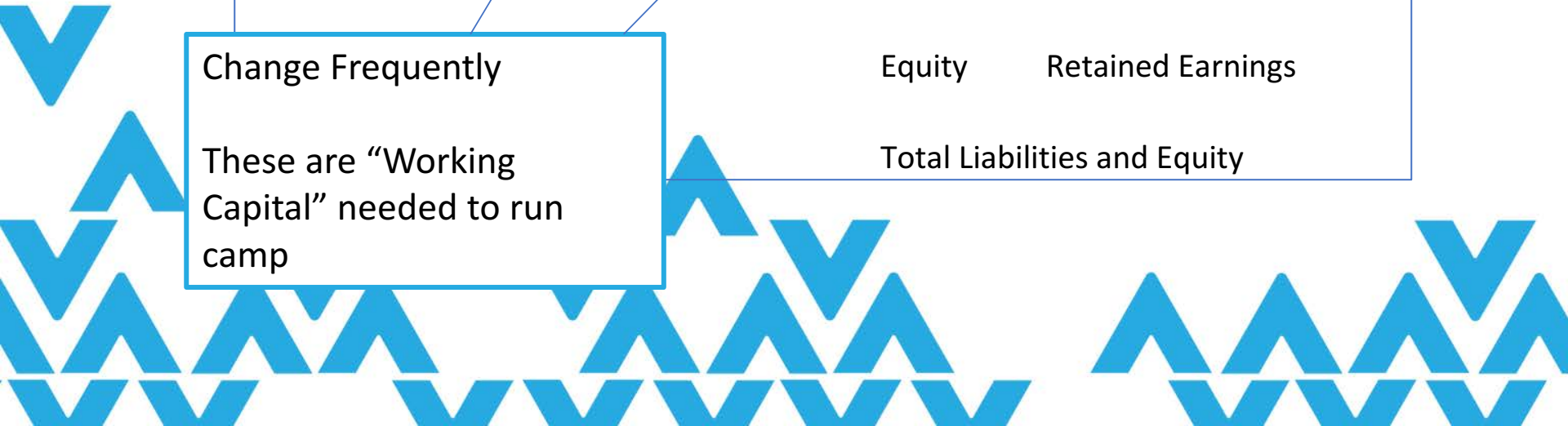


Balance Sheet Example

Assets	Liabilities
<div style="border: 2px solid red; padding: 5px;"> <p>Current Assets</p> <ul style="list-style-type: none"> Cash Accounts Receivable Other Current Assets <p>Total Current Assets</p> </div>	<div style="border: 2px solid red; padding: 5px;"> <p>Current Liabilities</p> <ul style="list-style-type: none"> Accounts Payable Other Current Liabilities Temporarily Restricted Deferred Revenue <p>Total Current Liabilities</p> </div>
<p>Fixed Assets</p> <ul style="list-style-type: none"> Land/Building Accumulated Depreciation <p>Total Fixed Assets</p>	<p>Long-Term Liabilities</p> <ul style="list-style-type: none"> Mortgage Capital Leases <p>Total Long-Term Liabilities</p>
<p>Total Assets</p>	<p>Equity Retained Earnings</p>
	<p>Total Liabilities and Equity</p>

Change Frequently

These are "Working Capital" needed to run camp



Camper Tuition Example

- Tuition: \$5000
- Camper signs up Jan 1 with \$1000 deposit
 - Cash: + \$1000
 - Accounts Receivable (A/R): + \$4000
 - Deferred Revenue: + \$5000
- Pays balance on June 1
 - Cash: + \$4000, Accounts Receivable: -\$4000
- Attends Camp
 - Deferred Revenue: -\$5000; Revenue: +\$5000

Accounts Payable Example

- Accounts Payable: money owed but not yet paid. Abbreviated as A/P.
- Examples: Promotional video, camper trips
- Important: Compare A/P to Cash + A/R to plan for short term cash requirements
- Quick ratio: $(\text{Cash} + \text{A/R}) / \text{A/P}$
- Should be greater than 1

Mortgage Example

- Mortgage payments have two components:
 - Principal and Interest
- Interest is an expense – on Income Statement
- Principal is a transfer of assets, not an expense:
 - Reduce cash, increase Fixed Assets
- Confusing concept for most non-finance people



Balance Sheet

- Keys to evaluate: Changes
- Change from prior period
- Change from same period in a prior year.
- Most important areas: Cash, A/R (accounts receivable), A/P (accounts payable), Deferred Revenue



Cash Flow Statement

- Shows cash over a specific period – e.g. quarter, year-to-date
- Calculated using Income Statement and Balance Sheet changes
- Starts with bottom line surplus or loss, then adjusts for other working capital changes on balance sheet to arrive at cash from operations.
- Separate sections for cash used in investing and cash from financing
- Leads to net change in cash for the year

In Practice

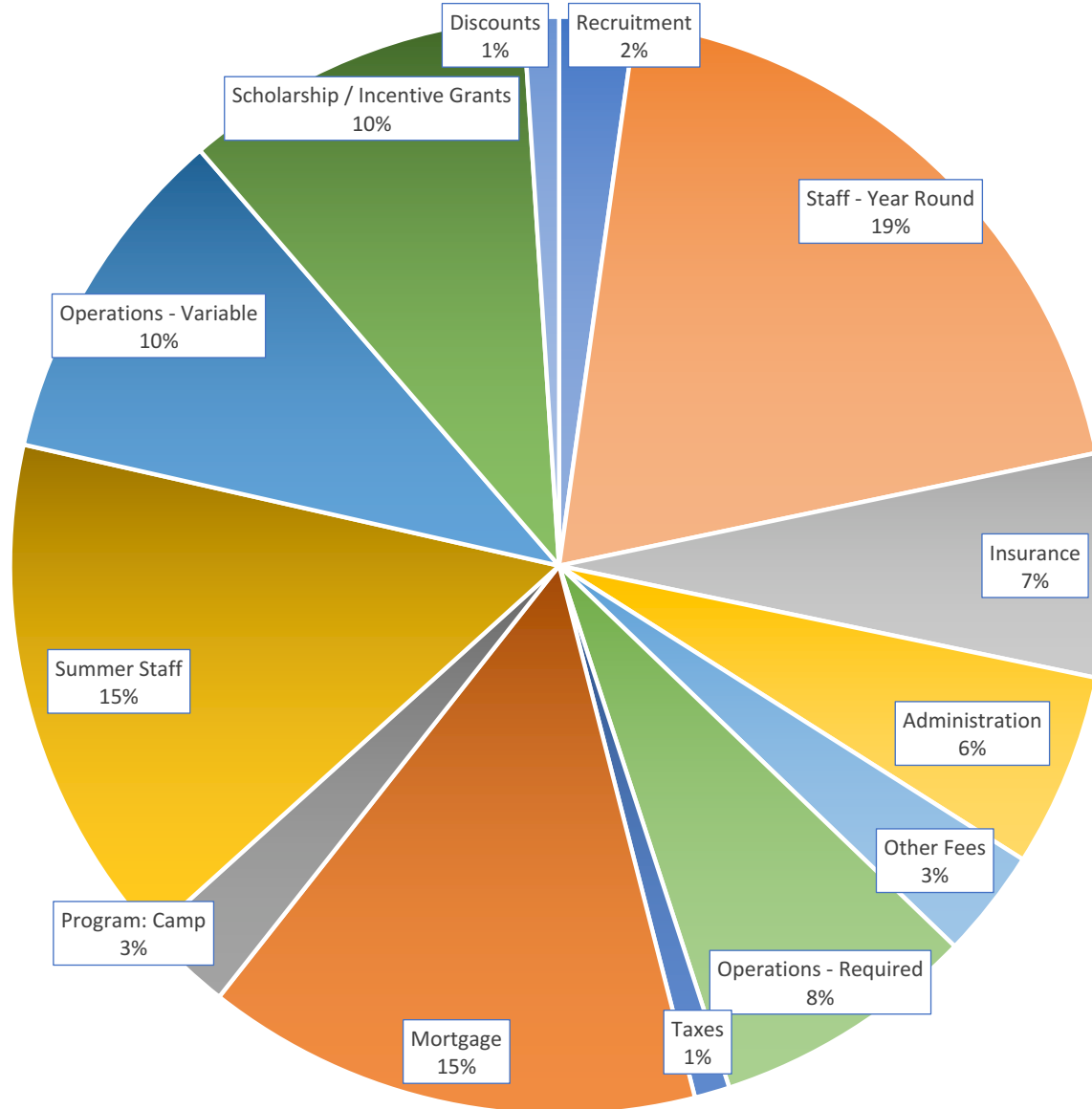
- Since most camps run on cash basis, single statement
- Presents mortgage payment like rent
- Easier for most boards to understand
- But does not show cycle of cash, can miss important cash low points
- Financial statements can be “backward looking” – key is to use finance strategically to “look around the corner” and plan

Core Concepts – Key Drivers

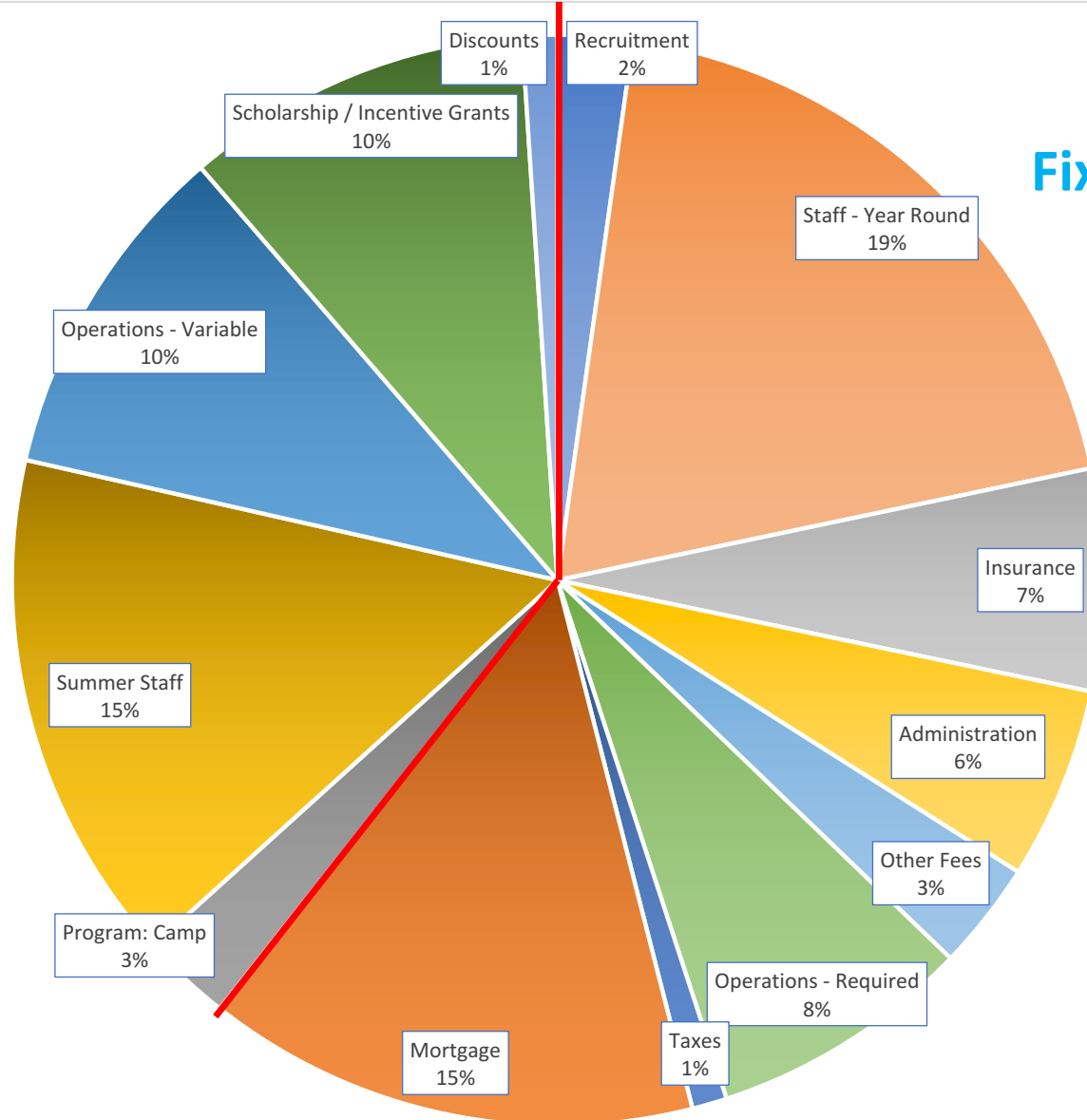
- Revenues:
 - Number of campers/Beds/Sessions
 - Cohort size/year
 - Tuition
 - Retention rate
 - Donations/Scholarships
- Expenses
 - Variable
 - Fixed



Expense Analysis



Expense Analysis



Fixed Expenses

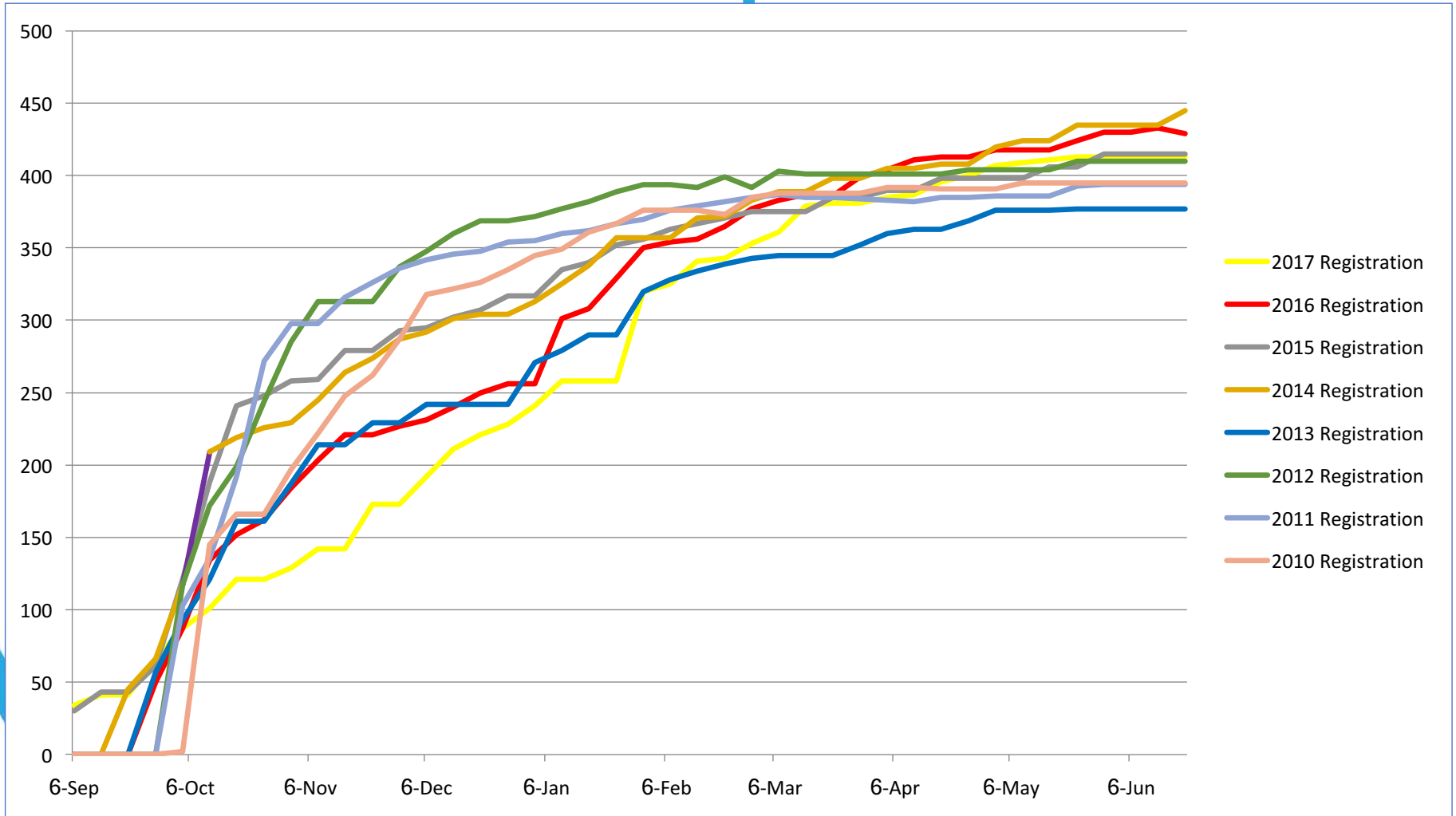
“Variable” Expenses

Strategic Finance

- Budget with clear assumptions
 - Identify drivers
 - Understand cost ratios
 - Think about impact of over/under enrollment
- Track enrollment activity



Enrollment Comparison



Finance – Important Practices

- Reforecast
 - Late spring – after most enrollments, before expenses
 - Find ways to adjust – variable expenses
- Planning for cash cycle
 - Particularly for Fall: Cash depleted after summer expenses, new tuitions don't really start until winter



Long Term Impact

- Capacity utilization
- Lifetime value
- Retention rate
- Tuition over time/Discount rate



Capacity Utilization

- Measures how “full” camp is:
 - % of bed/week capacity
- May be best to look at in several ways:
 - Overall, by session, by age range, by program
- Due to high fixed cost nature of camp, high capacity utilization is key to financial success
- Important for planning: if near capacity, should you expand? If consistently under utilized, what can be done to reduce capacity or find other uses?



Lifetime Value

- Measured as the total amount of tuition from a camper over their entire camp lifetime
- Impacted by a combination of tuition rates and retention rates
- Example: If tuition is \$5000/year and a camper stays 3 years, lifetime value is \$15,000
- High and increasing lifetime value of a camper is critical to camp financial viability
- Helps to understand camper value and parent perspective

Retention Rate

- Measures how many campers return for a subsequent season as a % of those able to return (i.e. haven't aged out)
- Important because
 - It's a key measure of value
 - Much more expensive to recruit new campers than to keep existing
- Small changes make a big difference:

- 70% retention rate:

100	70	49	34	24
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- LTV: $1/(1 - 70\%) = 3.33$. At \$5000 tuition, Camper LTV = \$16,667

- 80% retention rate:

100	80	64	51	41
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- LTV: $1/(1 - 80\%) = 5$. At \$5000 tuition, Camper LTV = \$25,000.

- 10% increase in retention = 50% increase in Camper value!

Tuition Over Time/Discount Rate

- Costs rise over time: inflation
- Tuitions rise over time
- Discounts/subsidies/scholarships are “contra revenue”
- Important to track net tuition (tuition – discounts/scholarships)
- Rate of increase of expenses vs. net tuition change



Questions/Discussion



