

Campaign Readiness—Financial Health Review
David Brian O’Dell – Superintendent
Langley Christian School
Langley, British Columbia, Canada
Email: superintendent@langleychristian.com

Background

Langley Christian School is located in the Lower Mainland of British Columbia. LCS is an interdenominationally diverse school that has been serving the Fraser Valley area for the past 63 years. It is a category 1 Independent School which means it receives 50% of the educational funding available to its public-school district counterpart. The balance of funds needed to operate the school comes from tuition, annual drives, donations and campaigns.

LCS has shown continual growth over the past 63 years as people respond to the call of God on their lives and as people continue to move into the Langley area. As a result, LCS has grown to become one of the largest and fastest growing SCSBC schools in British Columbia with almost 1100 students enrolled in grades K-12.

Over the next 4 years, it is expected that LCS will move from a 3-track school to a 4-track school which will require an expansion to our current buildings or the construction of an additional campus.

Project Description and Outcomes

As LCS positions itself for a major campaign, it is imperative that we undertake a financial health review or audit to ensure we are running as effectively as possible before approaching the school community for permission to move ahead with an expansion and launch a capital campaign.

To accomplish this, the LCS Board of Governors contacted the Society of Christian Schools in British Columbia (SCSBC) to conduct a Financial Health Review. The over-arching goal of the

review was to focus on identifying and addressing/correcting elements and practices that might hinder the operational and financial effectiveness of Langley Christian School.

The SCSBC review team conducted the review over a period of one week with several consultations taking place between the team and the LCS Business Office personnel.

As a result, LCS was provided with a comprehensive report that provided observations, commendations and recommendations in 16 critical areas: Financial Reporting, Accounting, Taxation and Legal, Accounting and Software, Internal Controls, Tuition, Budgeting, Payroll and Compensation, Long-Term Financing, Benchmarking, Administration, Finance Forum/Committee, Strategic Planning, Annual General Meeting, Insurance and Risk and the Langley Christian School Foundation. Recommendations within each of these areas were then identified as being high, medium or low priority. Altogether, 83 recommendations were provided.

Once the review was completed, the finance forum met to discuss the recommendations, identify those that needed an immediate response and determine the course of action for the remaining priorities. Some of the recommendations related to improved monthly financial reporting and suggestions for additional internal control or efficiencies while the rest related to the responsibility of the Finance Forum, superintendent and the Board to implement longer term strategic plans and financial goals for areas such as giving, tuition, and class sizes.

What I Learned During the Process

Throughout the process it became increasingly clear that changes were needed to ensure that the school was able to demonstrate fiscal responsibility, stewardship and accountability to the school community.

In the critical area of Financial Reporting, the decision was made to move from the deferral method of accounting to the restricted fund method. This made it easier for society members and non-accounting staff to understand, as the revenues and expenses of each fund are clearly disclosed.

In the area of Accounting, we were not fully utilizing the financial reporting features of our Adagio software and we needed to consider the use of a donor management system to produce receipts in a timely and efficient manner.

In the area of Taxation and Legal, we discovered that our charitable receipts were not strictly in compliance with CRA guidelines and that controls needed to be put in place to ensure receipts were issued and tracked sequentially.

In the area of Internal Controls, we needed to update our procedures manual to include current financial controls, practices and procedures. Also, LCS needed to develop a ‘whistle-blower’ policy to protect individuals who come forward to report inappropriate actions.

In the area of Tuition, the SCSBC Financial Benchmarking Report indicates that LCS had a lower tuition revenue per FTE than the average of all SCSBC schools. Tuition is being raised to a comparable structure similar to other SCSBC schools in the area. Given that we have waiting lists, this action will generate more revenue for the school.

In the area of Budgeting, we learned that we were not positioning ourselves to pay down long term debt fast enough. As a result, we have budgeted a positive net cash flow of \$500,000.00 per year from our educational operations in order to pay down our debts sooner.

In the area of Long-Term Financing, LCS needed to have a long term strategic plan that maps out the infrastructure needs of the school both in terms of replacing existing buildings and planning for the capital campaign.

In the areas of Benchmarking, LCS needs to be intentional about developing a plan to increase the culture of giving among the school's families. To this end, donor and fundraising activities needed to be examined to ensure the school is generating the maximum amount of revenue dollars.

In the area of Strategic Planning, LCS was without a current strategic plan. The task of developing the new strategic plan was carried out using the expertise of an outside consultant. The strategic plan is reviewed annually and updated to ensure a living document. The strategic plan is shared with the school community annually at our AGM's and serves to build trust, confidence and ultimately increased community and donor support.

Finally, in the area of Insurance and Risk, it was recommended that the Board initiate a thorough enterprise risk management (ERM) analysis to ensure that some risks do not fall through the cracks and that the overall responsibility is clearly delegated.

As mentioned earlier, 83 recommendations were made regarding the financial health review of LCS. Of the 83 recommendations made, 90% of those identified as high priority have been acted upon and completed or currently in progress. Those identified as moderate or low were not acted upon by the Financial Health review team.

What Difference Has This Project Made to Langley Christian School?

As a result of this review and the steps taken to improve our operational and financial effectiveness, we are confident that we can approach our community to begin undertaking a Capital Campaign feasibility study.

Having the Financial Health Review has allowed LCS to approach its society members with a sense of confidence in knowing that the school has taken a thorough and comprehensive review of its financial operations and has developed a sustainable strategic plan for the future of the

school. The project and resultant changes has demonstrated to the community that LCS is acting in a responsible manner and exercising good stewardship with the resources we have.

For the upcoming school year, we have budgeted (.5 FTE) for additional help in the finance department. This will give the Business Administrator the time necessary to focus on long term strategies and financial objectives.

Also, the project has resulted in bi-weekly meetings between senior level administration, board finance representatives and the Business Administrator to review progress and map out the financial future of LCS.

This project also reinforced what we learned from our donor panel last July, 2017--that every thriving relationship is built upon a foundation of robust trust. Relationships between non-profit organizations and their supporters are no different and building trust with our donors goes beyond simply establishing good will. In the information age, donors increasingly expect both organizational transparency, good financial health (fiscal responsibility) and demonstrable results.

Donors expect a detailed breakdown of expenditures including administrative costs and fundraising expenses. They also want a clear explanation of what programs you are funding and the dollar amounts being allocated.

This project has been especially helpful for me in two areas. As the new incoming superintendent of Langley Christian School, it gave me detailed insight into the financial landscape of the school and what its strengths and weaknesses were and, secondly, it greatly increased my learning curve in the area of school finances.