

Suggestion for how to allocate All Saints Preschool (ASP) overages from ASP Board Treasurer, Blaire Massa, Director of Development at Concord Hill School

Given that ASP has, according to our existing budget tracking, netted a profit in recent years, it may be beneficial to establish a permanent structure and method through which it can save a portion of this profit over time as part of a strategic reserve as follows:

- A percentage of the School's net profits, agreed upon by Church and School, would be re-invested in the School's strategic reserve each year. By selecting a percentage, rather than a dollar amount, this structure allows for stable expectations of how 'profitable' the school is in any given year. For example, if the agreement were for 20% of net profits to flow back to the School, in a year where the school had a net balance of \$100,000, ASP would receive \$20,000 and the Church would retain \$80,000.
- Each July, the first month of the fiscal year, a direct deposit would be set up from the Church to the ASP strategic reserve, in the amount of the agreed percentage divided by 12 months. This structure would balance out the cash flow concerns by spreading the payments over the following fiscal year, rather than a lump sum transfer each July. So, in the above example where the agreed amount equals \$20,000, the Church would set up a standing transfer of \$1,667 each month for the fiscal year July - June. With the improved strategic budgeting process ASP is introducing, there should be a fair expectation of the projected profit each year, so Church and School can budget accordingly.
- It is important that the School and Church agree to the existing budgeting structure for maintenance and facilities expenses related to ASP, and that there is understanding that those expenses are represented in the annual budget (and do not need to be 'paid back' out of the net profits and will not be changed without specific need). **(Need to include utilities in budget!)**
- It is also important that the budgeting for large, strategic expenditures is discussed with clarity before such expenditures are made. My understanding is that the Church intends to support the School where it can, including strategic investments, so it should be agreed during the planning process whether funding for such projects will be a budgeted expense or if it needs to come out of the reserve. The reserve would be saved and used (like an endowment) in unexpected situations, for unplanned expenses or emergencies. Using the reserve in this way can minimize pressure to increase tuition and remain competitive. Creating this strategic reserve also allows the School to potentially embark on more direct, annual fundraising, as they can describe with certainty where the donations from their families will go.