



WHAT'S UP AT KING DAVID?

An update brought to you by Rabbi Kacev

SUMMARY OF THE 2018 SABJE FINANCIALS

The SABJE financials for the year ended 31 December 2018 have been audited and were approved at the board meeting of 9 April 2019. This summary will share with you a few of the highlights such that you will be able to understand the main categories of expenses in the King David Schools. Should you wish to see the full financial statements they are available on www.sabje.co.za or alternatively please email sabje@sabje.co.za and request for them to be emailed to you.

STUDENT NUMBERS

A school budget stems from the number of students enrolled at the school. Our numbers have been relatively stable over the past number of years which has given us the ability to plan well in advance and anticipate for school needs. In the 2018 financial year we budgeted for 3329 students and in fact had an average of 3346 students taking student movement and emigration into consideration. (In 2019 we have budgeted for 3336 students, slightly up on the previous year).

The number of students impacts on staffing at each school, the class sizes and many other line items. Stable numbers also translate into the annual fee increase which was 8.5% in 2018, and 7.85% for 2019.

The gross fees billed in 2018 was R327 million. This has risen to R358 million in 2019.

Another factor affecting the yearly fee increase as well as almost every line item in school budgets is the commitment of parents to paying their school fees. Our finance department has kept collections above the 98.5% which has now been achieved 5 years running. In fact, we achieved 100% in 2018 for which we are extremely grateful. Schools have thus achieved almost every one of their planned projects. In order to achieve this, credit control policies have had to be adhered to. Actual total fee revenues billed in 2018 were R327.2 million. Total revenue which includes school fees, donations, bus fare revenue, collection of monies at school level, SETA refunds, bad debt recovery, joining fees, and interest received was R358.4 million.

The direct school income and expenses, i.e. those amounts parents pay for school activities directly to the school offices have been included in the SABJE Financial Statements.

Summary of Income	Actual per AFS R/M
Donations Received	778
Fees Billed	327145
Revenue	327923
Other Income	
Bad Debts Recovered	3001
Loans recovered	628
Utilisation of financial liability to cover loss incurred	1784
Joining Fees	973
Non-Refund – Ariel	734
Shabbaton / Encounter	2712
Bus fares	2372
School Income – levies, outings, events, etc	5511
KDSF Donation – specific projects	9000
Interest received	2385
Other Income	1351
Total Other Income	30451
Total Income	358374

KEY EXPENSE ITEMS

While schools incur many different expenses ranging from advertising to utilities, I will focus on the larger expense items in this newsletter which are:

Employee Costs

Salaries are by far the highest cost element for schools reflecting the fact that the key product of a school is its education which must be delivered by educators. These staff must be supported by administrative and maintenance staff to ensure the smooth running of the school. As a percentage of total operating expenses, the percentage spent on salaries (teachers, admin and all support staff) was 62.6% in 2018. These amounts exclude the staffing costs built into the staff hired by our facility managers and the outsourced garden and cleaning companies we use. That said, the key driver of educational inflation remains the percentage average increase given to staff. The King David Schools are members of the Independent Schools Association (ISASA) and we take part in their yearly salary

survey and in 2018 once again took part in a further salary survey so as to ensure that our teacher salaries are maintained at a competitive level in an over-pressurised low supply market.

Subsidies

The subsidy programme is managed in line with the ethos of the school, attempting to assist as many Jewish children as is possible, within the set constraints, with a Jewish education. In order to maintain a balance between the community aspect of the school and the desire to provide an education of excellence that is sustainable, the SABJE will not, per its historic mandate, provide subsidies beyond 10% of its total fee base. In 2018 the subsidies represented 9.7% of gross fees billed and the budget for 2019 anticipates subsidies reaching 9.4%. We are currently assisting 304 families which represents over 466 children. It is important to note that in 2010 the SABJE took a decision, in line with practice in many other schools, whereby students in grades 10, 11 and 12 who required financial assistance would receive some or all of that assistance in the form of a loan rather than as a subsidy. The loan is payable over 60 months from the completion of matric. Families have already begun repaying these loans and in 2018 we received R643 000 and we believe, that over time, this will have a significant impact on the overall budget and sustainability of the subsidy programme.

Total operating expenses

School budgets include, as mentioned, a variety of other costs such as stationery and printing, extra murals, security, professional development, teacher resources, insurance, depreciation, telephones, contracts and license fees. The total operating costs for 2018 were R341.9 million.

It is interesting to note that the spend on technology which includes connectivity licenses, consumables and other related items has become a substantial expense, currently at 2.0% of operating expenses. Utilities (rates, water and electricity) continue to grow and account for 1.54% of operating expenses. Security stands at 2.7% of operating expenses while cleaning and facilities management make up 2.9% of operating expenses.

Investing in the future of the schools

The SABJE is acutely aware of the need to continually invest in the maintenance of the schools as well as the need to upgrade facilities within budget constraints. 2.2% of expenditure went to repairs, maintenance and small projects.

A further R9 million went to specific building projects donated through the King David Schools' Foundation.

We are most grateful for the support given by the community to the KDSF as it allows for ongoing investment while at the same time building a long-term endowment for the future of the schools. Further donations to the Foundation have also allowed for ongoing investment in the staff trips to Israel, enhancing our ethos and human resource proposition.

2018 Financial Position – Conclusion

The total revenues were thus R358 million with total expenses of R342 million. This could at face value imply a substantial surplus while the budgeted surplus was only R0.5 million for the year. The reason for this difference is due to the following:

- R9 million of KDSF donations for buildings is capitalized not expensed.
- Collections being higher than anticipated having recovered around R3 million in bad debts which were not budgeted for.
- Expense efficiencies and saving led to a R1.5 million saving
- Net revenues generated by the schools of R1.2m which is not budgeted for.

CONCLUSION

The King David Schools are in a secure financial position with reserves sitting at R146 million, which is effectively the amount by which assets exceed liabilities. The finances are also managed prudently and within a sound overall governance structure. The budgeted surplus for 2018 was R0.5 million. It must be noted that these very narrow margins once again indicate the need for every stakeholder to play their part in ensuring financial sustainability, be it very careful spending at all school units or be it in need for accounts to be kept up to date. The schools are not for profit and have no intention of building up major reserves. It is also relevant to point out that a significant portion of the budget is invested in the essence of the existence of our schools, that being the Jewish ethos. Between the formal educators of Hebrew and Jewish Studies together with the Department of Informal Jewish Education (DIJE) and the Jewish Soul unit, we are currently investing just over 12% in this important element of the School.

RABBI CRAIG KACEV

General Director

South African Board of Jewish Education