



WHAT'S UP AT KING DAVID?

An update brought to you by Rabbi Kacev

Annual Financial Statements

The SABJE Financials for the year ending 31st December 2016 have been audited and were approved at the Board meeting on 4th April 2017. The purpose of this newsletter is to highlight some key changes or details in these Financial Statements. Should you wish to see the full Financial Statements, they will be available shortly on www.sabje.co.za or alternatively please email sabje@sabje.co.za and request a copy to be sent to you.

Key changes in the 2016 Annual Financial Statements

- a. **Change of Auditors:** This is the first year that the schools have been audited by PriceWaterhouseCoopers (PWC). We thank our previous auditors, Grant Thornton, for many years of interaction and welcome PWC.
- b. **King David Rosabelle Klein Nursery School in Waverley:** An agreement was signed with the Waverley shul and the previous nursery school management committee leading to the SABJE taking over the ownership of the nursery school. As such, the Waverley Nursery School numbers are included in the Annual Financial Statements for the first time.
- c. **Yiddish Folk Nursery School:** The Yiddish Folk Nursery School was closed

down at the end of 2016 and as such the financials include Yiddish Folk for the last time. The property was sold yet the income from sales was only received in 2017. Every effort was made to move staff from Yiddish Folk into the other SABJE schools.

- d. **Surplus:** The schools are a non-profit organisation and do not aim to generate major surpluses. That said the King David Schools' Foundation make yearly donations towards specific projects. These are reflected as income causing the profit to be overstated as the corresponding charge appears in the balance sheet as fixed assets as these donations mainly comprise capital.

Revenue

Income is a direct result of the number of students, the fees charged and the payment of such fees.

In 2016 we budgeted for an average of 3356 students across the school. By year-end this number was 3420 due to Waverley being included and as such income from fees billed was slightly higher than budgeted. Average figures are used so as to take all student movement into consideration.

The fee increase in 2016 was 8.25% across all grades and as such gross fees billed during the year amounted to just over R282m.

The ability to run the school within the fees billed is largely determined by the successful collection of such fees. In 2016, collections were 100% of target. This

was due to parents making school fees a priority together with the hard work of the finance department. Over R2m was collected from past debt and monies owed by parents who have turned some of the school fees into loans.

Total revenue includes school fees, donations, bus fares, SETA funds and other small items. This is the second year that income at school level has been included in the audit and in 2016 this accounted for R12.8m. This includes all amounts paid directly to schools, be it for levies, activities or any other items. As such, total revenue for SABJE was over R300m for the first time.

Expenses

Total expenses for 2016 were R301m. While every effort is made to control expenditure, there are a number of key expense areas that moved during the year:

- a. **Employee Costs:** Employee costs increased above anticipated budgets due to Waverley salary costs being included for the first time yet if these are excluded then we were on target. Employee costs make up 61.3% of total costs. A large portion of employee costs also sits under facility management for maintenance and cleaning. As such, total employee costs were R185m and facility management costs were R8m, a total of some 64% of expenses.
- b. **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 2016 the subsidies represented 9.6% of gross fees billed, exactly in line with budgets, costing R27m. This consisted of 328 families which represents over 510 children. It is important to note in 2010 the SABJE took a decision, in line with practice in many other schools, whereby students in grade 10, 11 and 12 who require financial assistance would receive some or all of that assistance in the form of a loan rather than a subsidy. The loan is payable over 60 months from the completion of matric. Families have already begun repaying these loans and we believe, that over time, this will have a significant impact on the overall budget and sustainability of the subsidy programme.

Other major expense items:

- Technology – R7.2m
- Repairs and maintenance (not capex items) – R4.9m
- Sport and extra murals – R4.8m
- Staff training – R4.6m
- Utilities – R5.1m
- Security – R7.6m

As mentioned before, direct school revenue was R12.8m which is matched by an expense being that such monies collected are for school activities relating to the students. There are many smaller expense items relating to everything from advertising to workman's compensation that cover the balance of expense items.

Balance Sheet

The SABJE balance sheet is in a healthy position with assets exceeding liabilities by R112m. This is due to the SABJE carrying no long-term debt and as such, the land value (at purchase price) and equipment making up most of the assets. The SABJE does have some cash reserves at December 2016 yet most of this is due to fees paid in advance by parents. It is also worth noting that we finished paying off for the bus fleet in June 2016.

Major Investments in 2016

Due to substantial investment in properties in 2015 we were not able to spend a similar amount in 2016. The only building project was the completion of the Victory Park Primary classroom refurbishment. We will see further substantial investment over the next 3 years including the opening of King David Ariel in 2018. We are grateful to the King David Schools' Foundation for its ongoing assistance and to their donors for their immense generosity.

Conclusion

The finances are managed prudently within a sound overall governance structure. The budgeted surplus for 2016 was R900 000 before donations. 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 the 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 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 10% in this important element of the school.

RABBI CRAIG KACEV

General Director

South African Board of Jewish Education (SABJE)