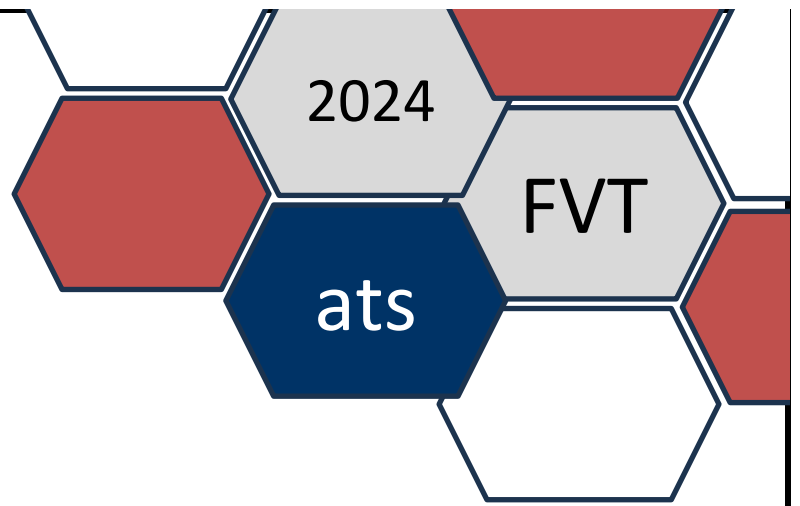




Financial Viability Tool

SAMPLE SEMINARY

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Figure 1: Adjusted Revenues, Expenses, and Surplus Deficit
Enrollment by Head Count, Full-Time Equivalent, and Credit Hours Sold

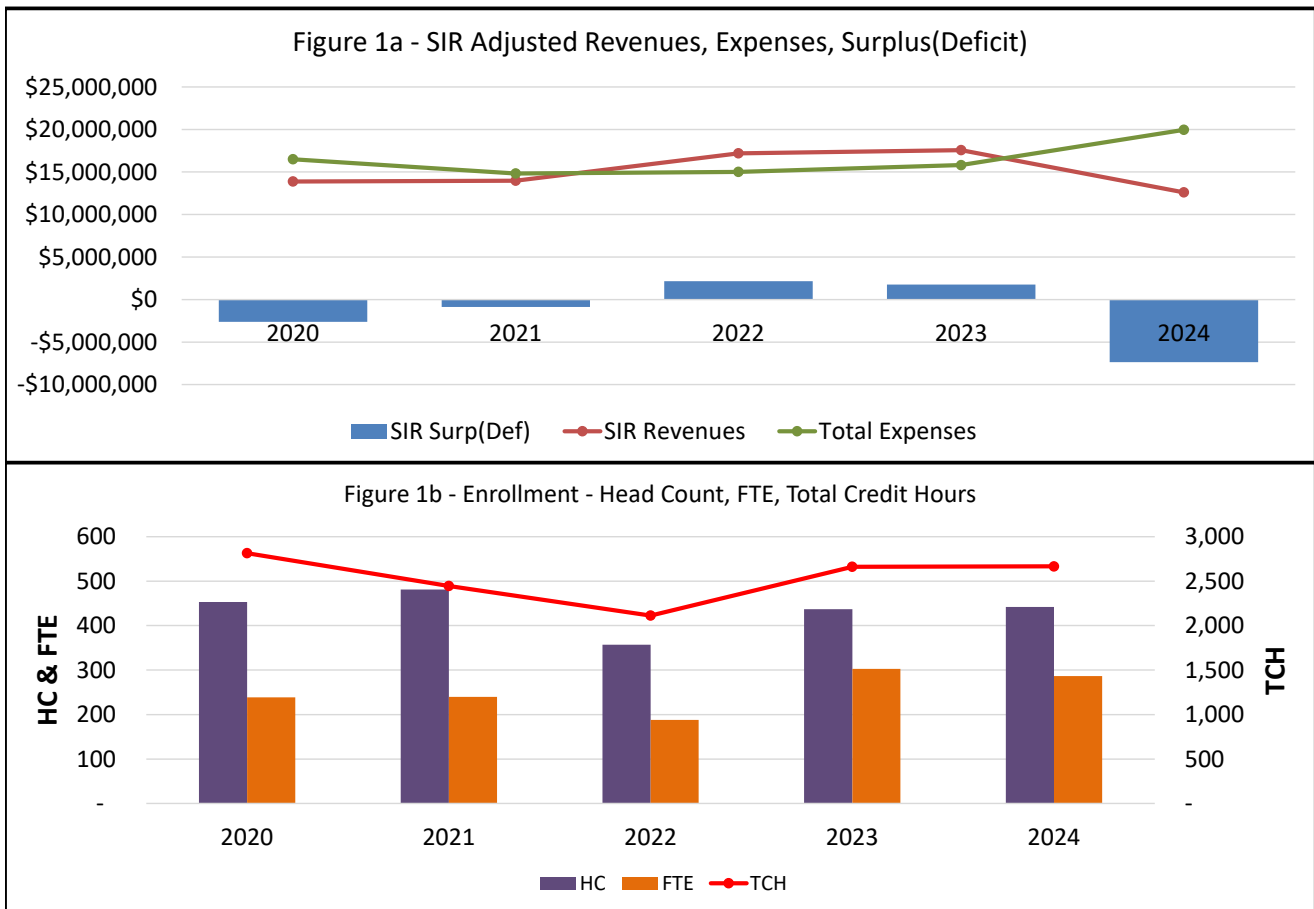


Figure 1a shows the adjusted revenues, expenditures, and surplus (deficit) for your school over the last five years. Adjusted revenues are as reported in the ATS Annual Report Form (ARF) process for revenues without donor restriction plus revenues with donor restriction by time or purpose, and these amounts are adjusted by subtracting unrealized & realized gains and losses and investment income and then adding back five percent of your long-term investments. Figure 1a is similar to what is shown in your ATS *Strategic Information Report* (SIR) Figure 1-8.

Note by this ATS measure, you had a surplus in 2 of 5 years.

Figure 1b shows your enrollment by head count (HC), full-time equivalent (FTE), and total credit hours sold (TCH) over last five years. It is important to note the trends in terms of how enrollments have been changing. HC & FTE are plotted on the left axis and TCH is plotted on the right axis.

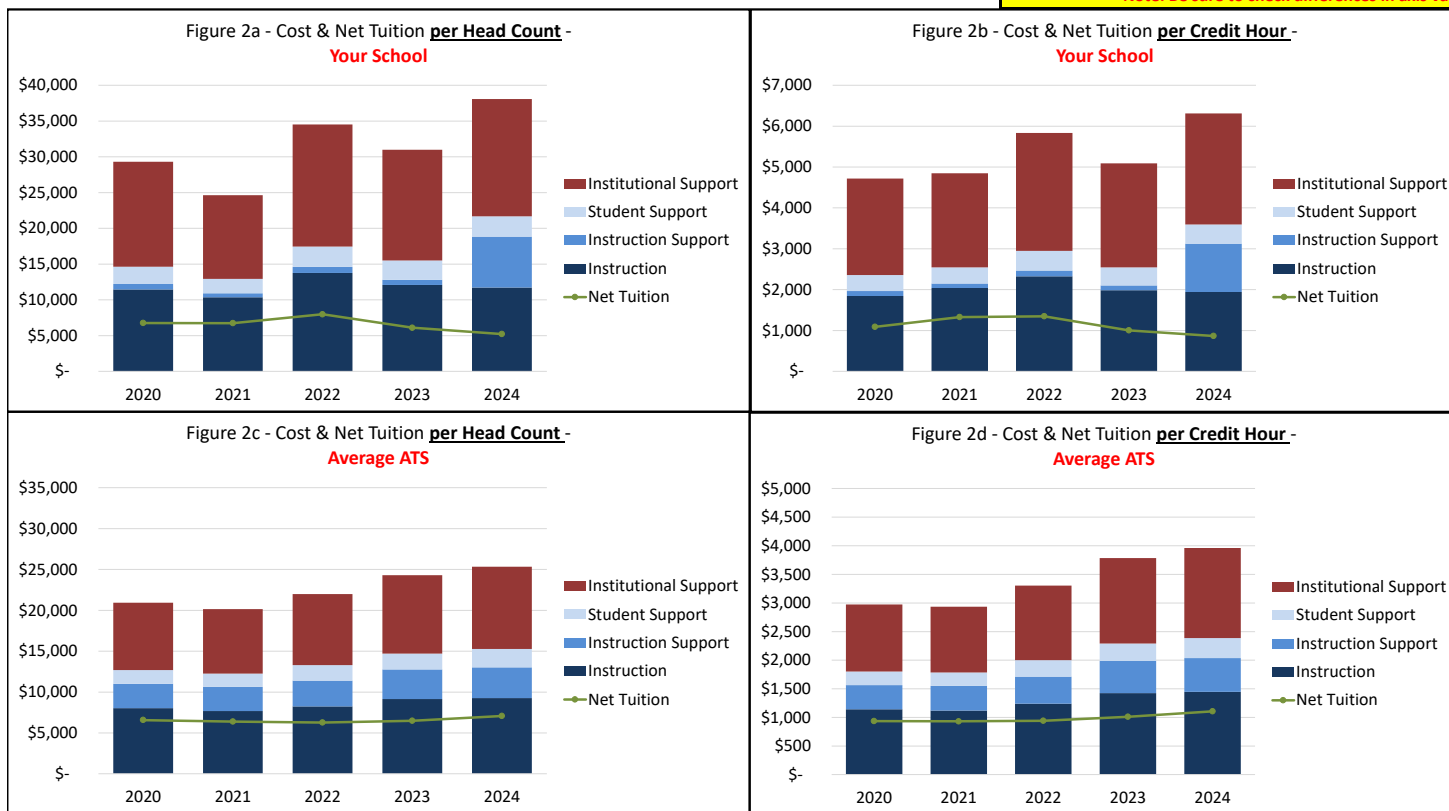
	2020	2024	5 Year %Change
HC	453	442	-2%
FTE	239	286	20%
TCH	2,814	2,666	-5%

IMPACT QUESTIONS:

1. What are your trends annual surpluses or deficits? Why are these trends occurring?
2. What are you overall trends in enrollment? Why are these trends occurring?
3. In what ways are you economic trends and your enrollment trends related?

Figure 2: Cost & Net Tuition per Head Count & Credit Hour, Your School & ATS Average

Note: Be sure to check differences in axis values.



In the most recent year, the cost to educate, net tuition, and financial surplus(gap) were as follows:

	Cost to Educate	Net Tuition	Financial Gap
Your school - HC	\$ 38,068	\$ 5,215	\$ 32,853
Your school - CH	\$ 6,311	\$ 865	\$ 5,447
ATS Avg - HC	\$ 25,349	\$ 7,079	\$ 18,270
ATS Avg - CH	\$ 3,961	\$ 1,106	\$ 2,855

It is important to compare the cost to educate a student within your institution to the net tuition that you generate per student. **Figure 2a shows cost & net tuition by head count and Figure 2b shows costs & net tuition by credit hour sold.** Costs are based upon expenditures reported to ATS in particular categories in the ARF process. Expenditures from the ARF are grouped above as follows: Instruction (instruction); Instruction Support (research, public service, library, academic support); Student Support (student services, admissions); Institutional Support (institutional support, operations & maintenance). Note that scholarship expenses and auxiliary expenses are not included in cost to educate. Scholarship expenses are netted against gross tuition to calculate net tuition in Figure 3 and auxiliary expenses are netted against auxiliary revenue to calculate net auxiliary revenue in Figure 3.

It is important to compare the **green line** (Net Tuition) with the **dark blue** (Instruction) to determine if net tuition generated per student is covering the cost to directly instruct these students. If the **green line** (Net Tuition) is below the **dark blue** (Instruction), net tuition is not covering the cost of direct instruction. If the green line is above the dark blue, then net tuition is covering direct instruction.

Net Tuition represents the amount after scholarship aid and discounting the student is asked to pay from their sources.

In general, for Net Tuition, the lower the amount the more affordable for students and the higher the amount the less affordable for students.

Cost to Educate is the spending by schools to educate students, including direct instruction as well as support for instruction, students, and the institution.

In general, for Cost to Educate, the lower the amount the less costly it is for a school and the higher the amount the more costly it is for a school.

The blue boxes show the current year for your school's cost to educate, net tuition, and "financial gap or surplus" in comparing the two.

The green boxes show the current year for the ATS Average cost to educate, net tuition, and "financial gap or surplus" in comparing the two.

In the most recent year, your schools had a Financial Gap per HC and a Financial Gap per CH.

Figure 2c & Figure 2d show costs & net tuition by head count and credit hour sold as the average across All ATS Schools.

IMPACT QUESTIONS:

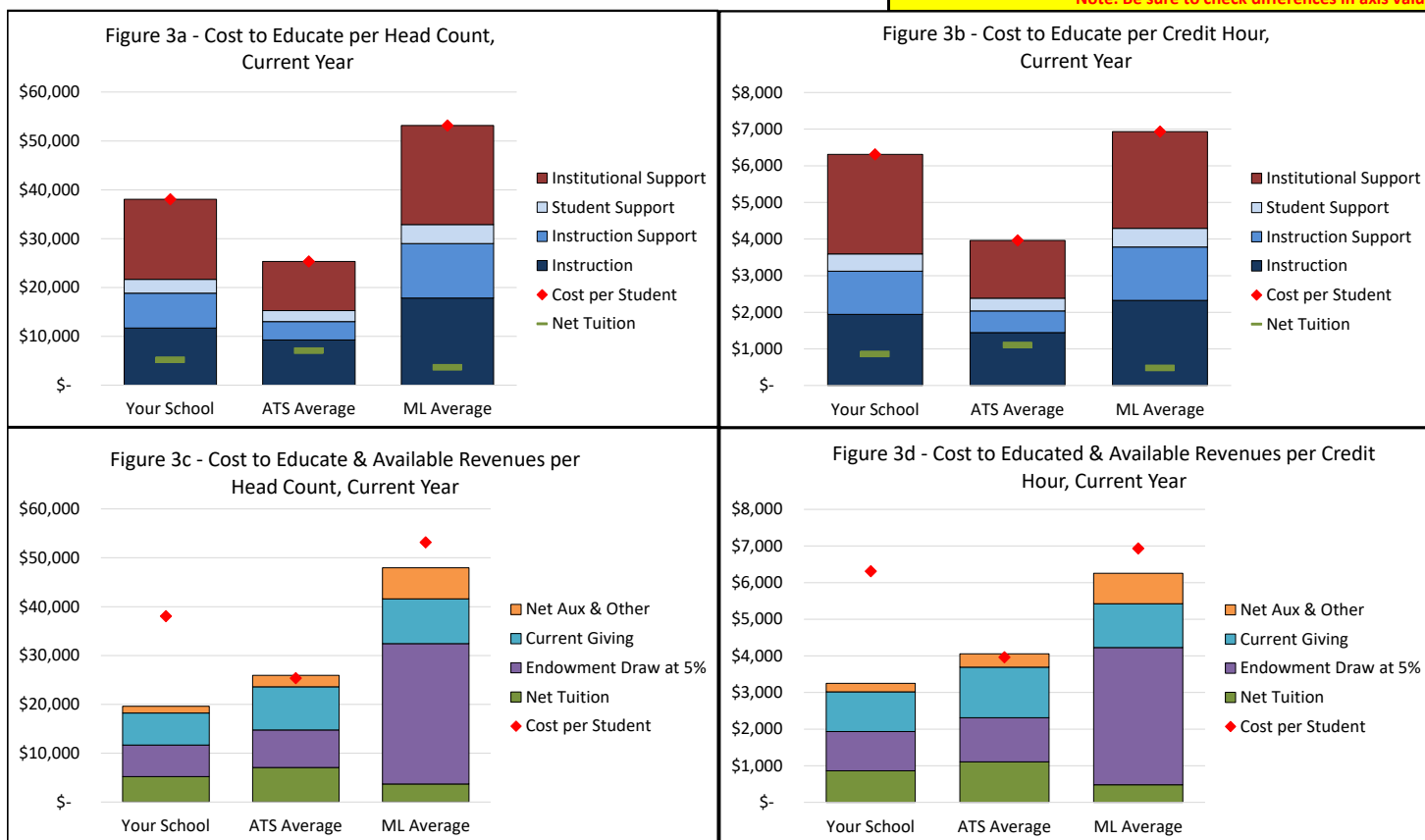
1. What are your trends in costs to educate and net tuition? What is driving these trends?
2. How does your cost to educate compare to ATS Averages and Peer Averages? What might be creating differences?
3. How much of your costs to educate is covered by net tuition? Why? Is it sustainable?

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Figure 3: Cost to Educate per Head Count & Credit Hour, Your School & ATS Average & Peer Average

Cost to Educate & Available Revenues per Head Count & Credit Hour, Your School & ATS Average & Peer Average

Note: Be sure to check differences in axis values.



In Figure 2, cost to educate a student was compared to net tuition as a way of determining if net tuition revenues are sufficient to cover the direct cost of instruction. Figure 3 recognizes that schools have other revenues available to cover the cost to educate beyond Net Tuition, such as Endowment Draw, Current Giving, and Net Auxiliary Revenues.

Figure 3a reflects cost to educate per head count and Figure 3b reflects cost to educate per credit hour, both in the current year.

The **red diamond** is the total cost to educate. The **green line** is net tuition generated. Both are also reflected in Figure 2.

Available revenues shown are from the ATS ARF process and are for revenues without donor restriction. Net Tuition is tuition less scholarship expenses.

Endowment Draw is calculated as 5% of long-term investments, which is an historic prudent draw. Current Giving is giving to annual operations

without donor restriction). Net Aux & Other is auxiliary revenue less auxiliary expenses plus other unrestricted sources.

Figure 3a & Figure 3b show your school, ATS Average, and your average ecclesial peer: either Evangelical (EV), Mainline (ML), or Roman Catholic/Orthodox (RCO).

The current year data is also reflected in Figure 2, where you can see the trends over the last five years.

Figure 3c reflects cost to educate and available revenues per head count and Figure 3d reflects cost to educate and available revenues per credit hour.

The total cost to educate carries across from 3a to 3c and from 3b to 3d. In addition, for comparison, net tuition (**green line**) carries across in the same manner.

In Figure 3c and 3d, if the cost to educate (**red diamond**) is above the top of the available revenues, then a financial gap exists. The school likely ran a deficit in the most recent year in Figure 1a. In Figure 3c and 3d, if cost to educate (**red diamond**) is below the top of the available revenues, then a financial surplus exists. The school likely ran a surplus in the most recent year in Figure 1a.

IMPACT QUESTIONS:

1. Is there a gap between your cost to educate (red diamond) and available revenues in Figure 3c? If so, what is the approximate \$ per Head Count?
2. In Figure 3c, if there are more revenues than cost to educate (surplus), how do you best maintain? If deficit, how might you close the gap?
3. In Figure 3f, what proportion of your available revenues are net tuition, endowment, giving, and auxiliary & other? Are these levels sustainable?
4. How do your relative available revenues compare to ATS & Peer Average in Figure 3f? What are differences? Why do you think that is occurring?

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Figure 4: Cost to Educate per Head Count vs. Net Tuition per Head Count, Your School & ATS Average
Cost to Educate per Credit Hour vs. Net Tuition per Credit Hour, Your School & ATS Average

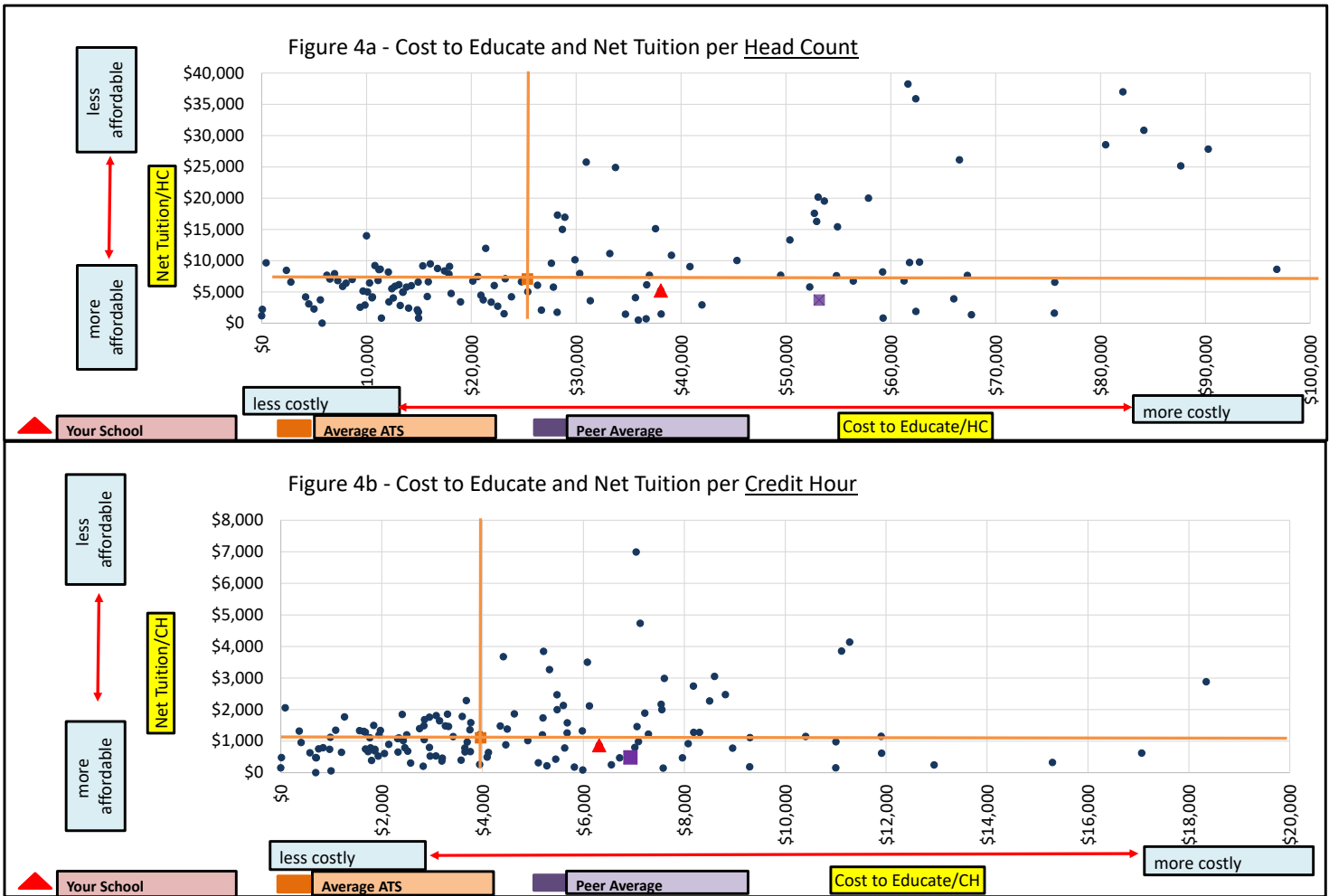


Figure 4a plots Net Tuition per head count (vertical axis) and Cost to Educate per head count (horizontal axis). Each blue dot represents an ATS school. **Figure 4b** plots Net Tuition per credit hour (vertical axis) and Cost to Educate per credit (horizontal axis). Each blue dot represents an ATS school. The Average ATS is the orange box, Your School is the red triangle, and Your Ecclesial Peer Average is the purple box. Figure 4a is truncated to \$40,000/\$100,000; Figure 4b to \$8,000/\$20,000. If you do not see a red triangle, it means your school is outside the truncated space (your school is either less affordable or more costly than charted).

Net Tuition represents the amount after scholarship aid & discount the student is asked to pay from their sources.

In general, for Net Tuition, the lower the amount the more affordable for students and the higher the amount the less affordable for students.

Cost to Educate is the spending by schools to educate students, including direct instruction as well as support for instruction, students, and institution.

In general, for Cost to Educate, the lower the amount the less costly it is for a school and the higher the amount the more costly it is for a school.

	Your School	ATS Average	ML Average
Per Head Count			
Net Tuition	\$ 5,215	\$ 7,079	\$ 3,687
Cost to Educate	\$ 38,068	\$ 25,349	\$ 53,174

	Your School	ATS Average	ML Average
Per Credit Hour			
Net Tuition	\$ 865	\$ 1,106	\$ 481
Cost to Educate	\$ 6,311	\$ 3,961	\$ 6,932

IMPACT QUESTIONS:

- Find your school on the graph. What is your cost to educate per HC vs. net tuition per HC?
- Figure 4a & 4b are stratified into quadrants depicting affordability (rate of net tuition) and cost to (rate of cost to educate). In which quadrant is your school located? Is that what you would have expected? What would it take to become more affordable? What would it take to lower your cost to educate?
- How are you doing compared to the ATS average and Ecclesial Peer Average? What does this say about your economic model?

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Figure 5: Cost to Educate, Revenue Sources, & Financial Gap per Head Count, Your School
Cost to Educate, Revenue Sources, & Financial Gap per Credit Hour, Your School

SAMPLE SEMINARY

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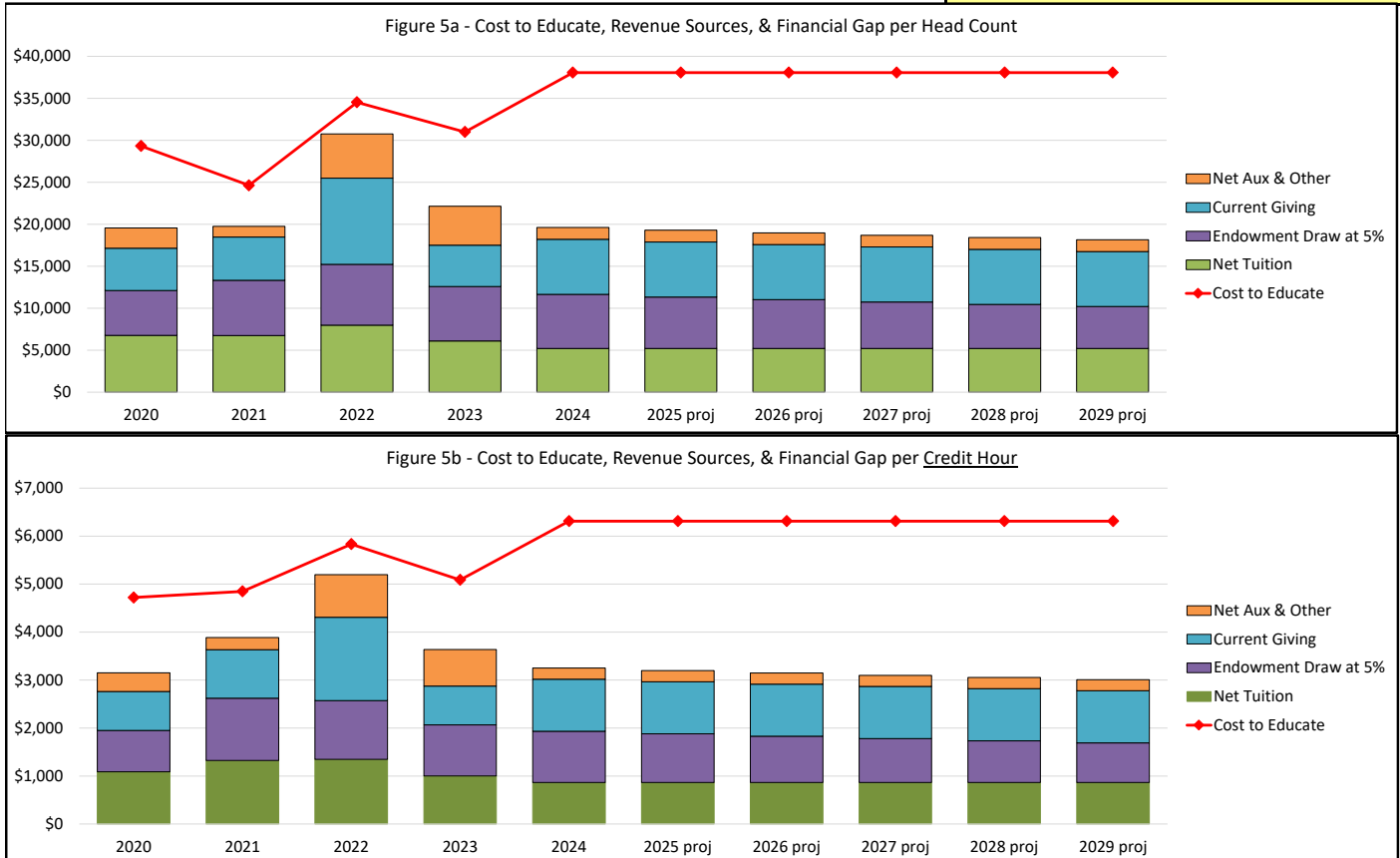


Figure 5a shows the Cost to Educate, Available Revenue Sources, & Financial Gap/Surplus per Head Count. Figure 5b shows the Cost to Educate, Available Revenue Sources, & Financial Gap/Surplus per Credit Hour. In both Figure 5a & 5b, the first five years are actual reported to ATS and the second five years are projected.

Figure 5a shows the Cost to Educate, Available Revenue Sources, & Financial Gap/Surplus per Head Count. Figure 5b shows the Cost to Educate, Available Revenue Sources, & Financial Gap/Surplus per Credit Hour. In both Figure 5a & 5b, the first five years are actual reported to ATS and the second five years are projected.

Figure 5a shows the Cost to Educate, Available Revenue Sources, & Financial Gap/Surplus per Head Count. Figure 5b shows the Cost to Educate, Available Revenue Sources, & Financial Gap/Surplus per Credit Hour. In both Figure 5a & 5b, the first five years are actual reported to ATS and the second five years are projected.

If the Cost to Educate (**red line**) is above the Available Revenue Sources (**top of the bar**), then your school has a Financial Gap. If the red line is below the top of the bar, then you have a Financial Surplus. The actual figures reported to ATS by your school are shown below for the first five years and then are graphed above.

If the Cost to Educate (**red line**) is above the Available Revenue Sources (**top of the bar**), then your school has a Financial Gap. If the red line is below the top of the bar, then you have a Financial Surplus. The actual figures reported to ATS by your school are shown below for the first five years and then are graphed above.

You can review the information below and change the revenue, expenditure, long-term investment, and enrollment numbers in the green, red, or blue sections or you can change the trajectory by using percentages in the yellow sections. You can also change the endowment draw percentage in the purple section. By changing the amount or percentages to impact your projections, you can get a sense of how the Financial Gap or Financial Surplus changed based upon the decisions you make. In some cases, it will be dramatic and in other cases it will be minimal.

You can review the information below and change the revenue, expenditure, long-term investment, and enrollment numbers in the green, red, or blue sections or you can change the trajectory by using percentages in the yellow sections. You can also change the endowment draw percentage in the purple section. By changing the amount or percentages to impact your projections, you can get a sense of how the Financial Gap or Financial Surplus changed based upon the decisions you make. In some cases, it will be dramatic and in other cases it will be minimal.

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Questions to Ponder: Financial Viability, Financial Gap or Surplus, and Financial Projections

As you review Figure 1 for Figure 4, here are some important questions to consider.

Cost to educate

- What is your cost to educate per head count student? per credit hour?
- How is your cost to educate changing over time? Why?
- How can you best reduce your cost to educate a student?

Net tuition

- How much net tuition per head count and credit hour do you generate?
- Does your net tuition generated cover your cost of instruction?
- How much can you expect students to pay in terms of net tuition before it impacts affordability?

Available revenues

- What other revenue components beyond net tuition do you have to cover cost to educate?
- Rank your revenue components by how much they cover your cost to educate?
- Which revenue component covers the highest proportion of your cost to educate? Why?
- Which revenue component can you most readily impact within your institution? Why?

As you consider Figure 5 in light of the above, here are some important questions to consider.

Financial gap or surplus

- Within Figure 2, do you have a financial gap or surplus when comparing instruction costs and net tuition?
 - Should your cost of instruction be covered by net tuition? Why or why not?
 - Does adding more students actually impact your economic model in a positive way?
 - Does tuition discounting and scholarship really impact your enrollment?

- Within Figure 3, do you have a financial gap or surplus when comparing cost to educate and available revenues?
 - If a financial surplus, how can you maintain the surplus when considering your trends in revenues and expenses?
 - If a financial gap, are you able to close the gap by maintaining current expenses and reasonably growing revenues?
 - If a financial gap, are you able to close the gap by maintaining current revenues and reasonably cutting expenses?
 - Is your financial gap significant enough that you must both cut expenses and increase revenues?

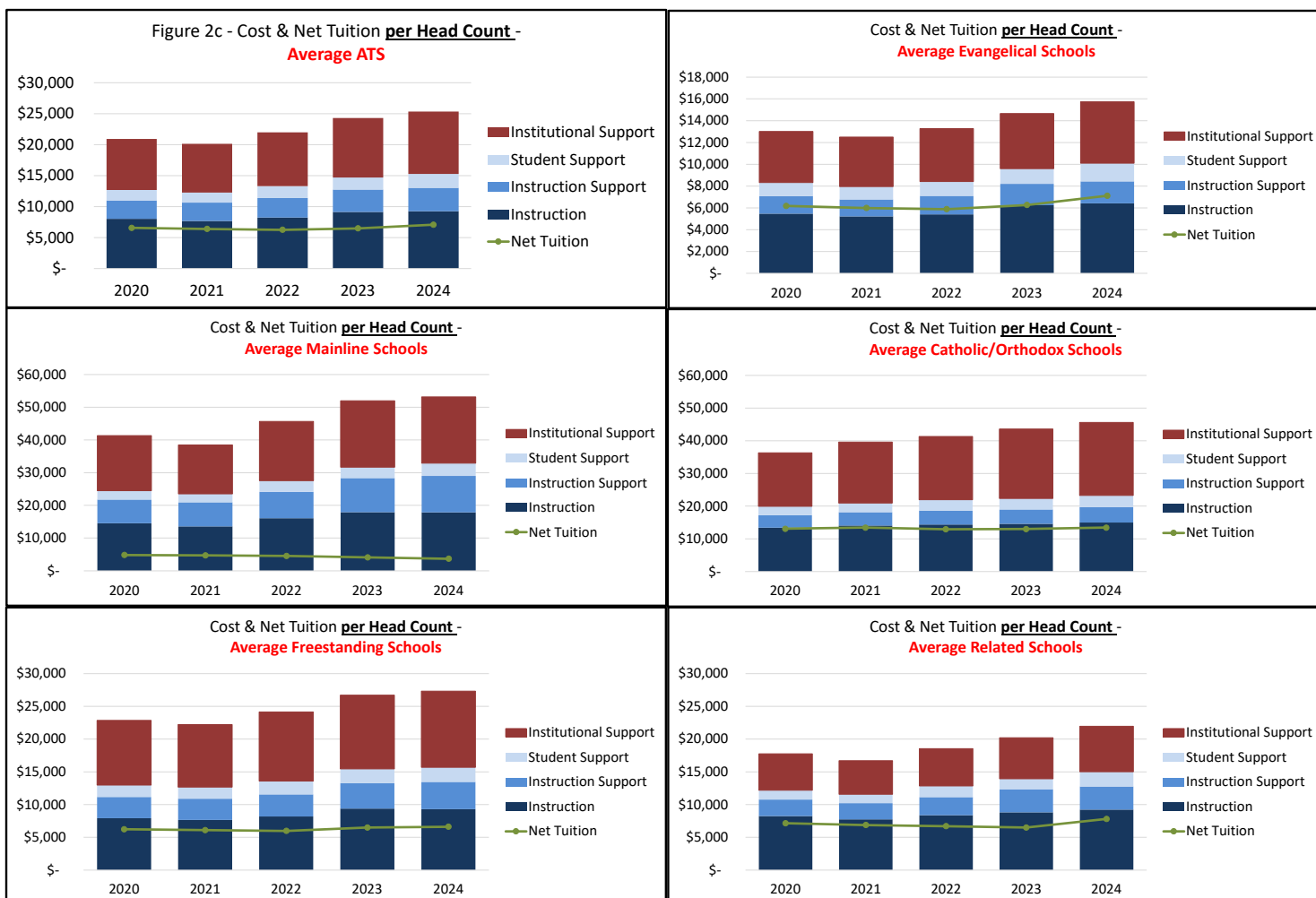
- What are the impacts to your financial model if one or more of the revenue components shift significantly?
- What are realistic ways you can change revenues and expenses to maintain or close the gap?
- What alternative revenues can you explore?

General questions to consider for broader conversation around missional and financial vitality.

- How can you use these charts to broaden discussions among your board, administration, faculty, and community?
- What can you stop doing so that you can continue the Core WHY of your calling?
- What does a "successful" school business model look like for your school?
- Are you providing services (and increasing cost to educate) that no longer benefit the majority of your students?

Note: Be sure to check difference in axis values.

Below are some industry benchmarks so that a school can compare itself more broadly across the ATS membership. The top six charts show cost to educate and net tuition by ATS average as well as average for evangelical, mainline, Catholic/Orthodox, freestanding, and related schools. These charts can be useful when reviewing Figure 2 & Figure 3.



The next two charts show relative cost to educate and relative available revenues in the current year. The charts depict current year averages for all ATS schools, evangelical protestant schools, mainline protestant schools, and catholic/orthodox schools. These charts can be useful when reviewing Figure 3. They may also be helpful in completing projections in Figure 5.

