THE ANGELETTI GROUP

Sample Report #2

The Client:

- A major midwestern real estate developer who owned two apartment properties on two different urban college campuses in the same city.
- The client asked TAG to review the financials of the schools that guaranteed the buildings of the two current properties to assess if the developer should retain or sell the assets (Targets 1 and 2).
- In addition, the client asked TAG to assess these financials as it related to the developer building a third apartment complex on one of the current campuses (Target 1).

Target 1:

- Midwest urban college with approximately 1,200 students broken down between 800 undergraduates and 400 graduate students.
- Private 4-year catholic liberal arts school with approximately 78 competing schools within 100 miles
- The school screens poorly for parents as it's more expensive than its peers and state schools with only average graduation rates, and lower 10-year earnings post-graduation.

Target 2:

- Midwest urban college with approximately 900 students.
- Private 4-year liberal arts school primarily focused on the arts with approximately 78 competing schools within 100 miles
- The school screens poorly for parents as it's more expensive than its peers and state schools with only average graduation rates, and lower 10-year earnings post-graduation.

The Problem(s)

- Major demographic shifts in birthrates and college enrollments impacting all schools

Target 1

- Declining enrollment of almost 5% per year for 10 years and increasing tuition discounting
- Heavily restricted $27 million endowment
- Post Covid funding school is facing increasing deficits – almost $2 million in 2023
- Expense growth outpacing revenue growth by 1.2% per annum
    - Increasingly relying on contributions and endowment to meet annual expenses
    - Program expenses growing at 3% per year while program revenues declining 0.7%

Target 2:

- Midwest urban college with approximately 900 students.
- Endowment and investments of only $4 million
- Post Covid funding school is facing increasing deficits – almost $2 million in 2023
- Program expense growth outpacing tuition revenue growth by 0.2% per annum
    - Increasingly relying on contributions and endowment to meet annual expenses

The Solution(s):

Target 1:

- Recommended keeping current assets in place but focusing on enrollment trends, and revenue to expense ratio as non-tuition sources were becoming bigger portion of the annual budget and school is supported by local catholic charities.

Target 2:

- Did not recommend building a second apartment building given long-term enrollment trends and recent deficits.

Target 3:

- Recommended selling the building given the small size of the student population, declining national trends in enrollment, and the schools reliance on tuition discounting to historic levels.

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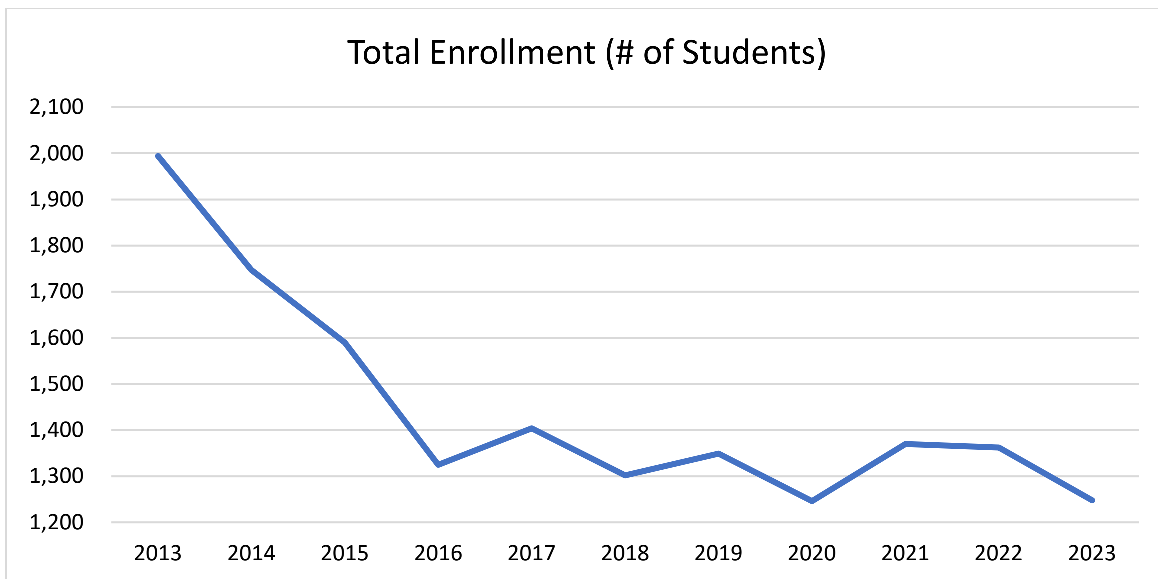
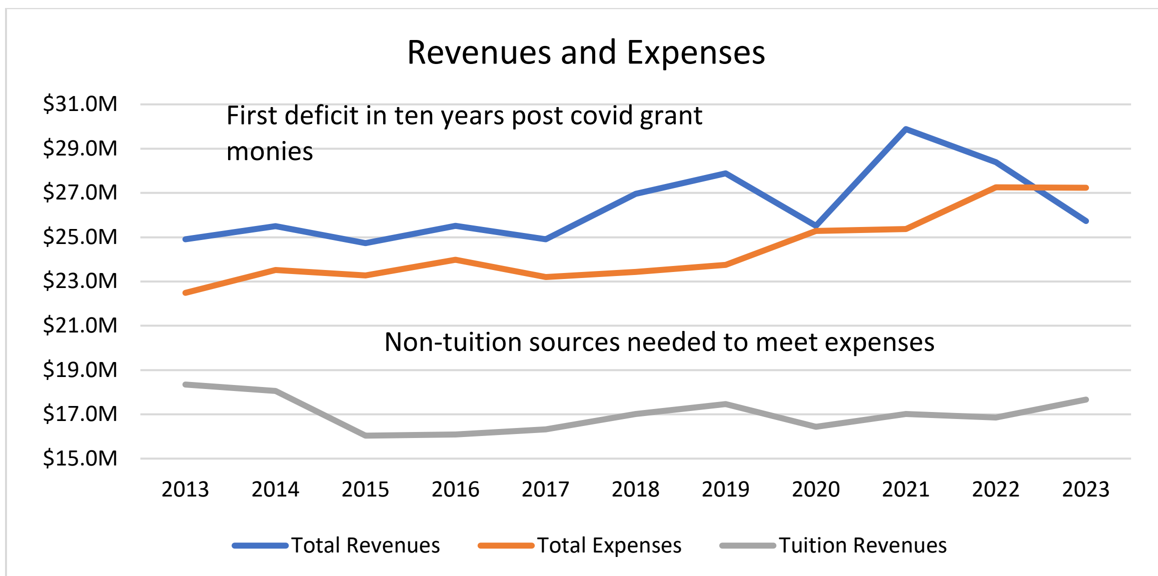
Target 1

- Declining enrollment of almost 5% per year for 10 years and increasing tuition discounting
- Heavily restricted $27 million endowment
- Tuition discounting reaching all-time highs
- Post Covid funding school is facing increasing deficits – almost $2 million in 2023
- Expense growth outpacing revenue growth by 1.2% per annum
    - Increasingly relying on contributions and endowment to meet annual expenses
    - Program expenses growing at 3% per year while program revenues declining 0.7%





Target 2:

- Endowment and investments of only $4 million
- Tuition discounting reaching all-time highs and above 50%
- Post Covid funding school is facing increasing deficits – almost $2 million in 2023
- Program expense growth outpacing tuition revenue growth by 0.2% per annum
    - Increasingly relying on contributions and endowment to meet annual expenses