Small College Solutions Sample Report

Prepared by The Angeletti Group

January 2025

About this sample report

The following is a sample report prepared by the Small College Solutions division of The Angeletti Group, LLC.

This sample report's content is based on real client dynamics. While it is possible that some data and recommendations may be generalizable to other contexts, The Angeletti Group affirms that this report should not be interpreted as advice toward any specific venture.

Target:

- Northeast urban college with approximately 1,900 students
- Private, four-year liberal arts schools with approximately 500 competing schools within 100 miles
- The school screens well for parents, despite being more expensive than its peers and state schools, due to its higher graduation rates and 10-year earnings post-graduation.

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The Problems:

- Major demographic shifts in birthrates and college enrollments are impacting all schools.
- Declining enrollment of almost 2% per year for 10 years and increasing tuition discounting.
- Heavily restricted $100 million endowment.
- Covid-era funding has ended, and the school is facing increasing deficits – almost $15 million in 2024 – and expense growth is outpacing revenue growth by 0.5% per annum.
  - Increasingly relying on contributions and endowment to meet annual expenses
  - Program expenses growing at 2% per year while program revenues declining 0.7%
- Newly acquired debt will be a burden within three years due to delayed interest payments.

The Solutions:

- $7.5 million in cost savings
- $5 million in asset sales
- $30 million returned from debt escrow

- Target profitable programs to increasingly market to select group of regional high schools to reverse the enrollment trends.
  - Focus on graduate and undergraduate nursing, accounting, and the dramatic arts.
  - Start a small co-op program to increase value of these majors and increase graduation rates.
- Increase targeted online ad campaigns showcasing the positive attributes of the school.
  - Higher earnings
  - Higher graduation rates
- Endowment won't be an issue unless deficits can be turned into profits, but endowment will be needed to pay down latest round of debt funding.
  - Hold in reserve the opportunity to appeal to State Attorney General for a waiver of some restricted asset covenants.

- Analyze which majors and programs are profitable, and which aren't.
  - Eliminate unprofitable educational and sports programs.
- Reduce expenses through headcount reduction and optimized facilities for classes.
  - Analyze program and administrative expenses for optimization and redundancy.
  - Optimize facilities and class size for less energy usage and less teaching resources.
- Restructure fundraising initiatives and spend.
- Focus on the aspects of facilities maintenance and repair that are necessary, and return from escrow the rest of the unused portion of the new debt.
  - Recommend limited asset sales of excess land.

Closer Look at Key Challenges

National demographics

Declining enrollment

Increasing tuition discounting

Restricted endowment

Increasing deficits post-Covid

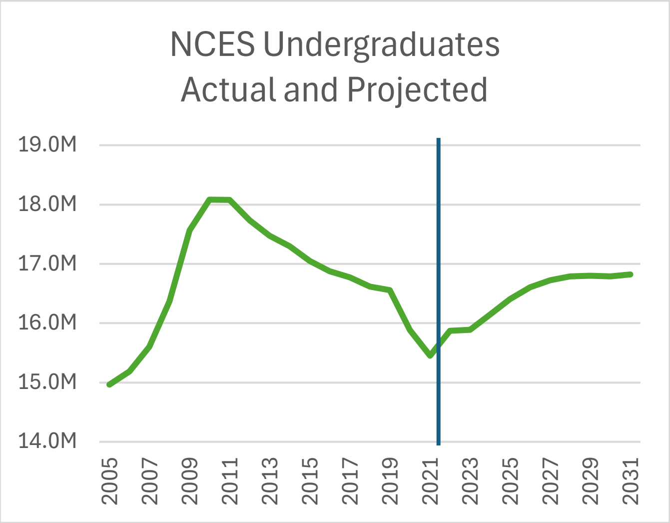
Expense growth outpacing revenue growth

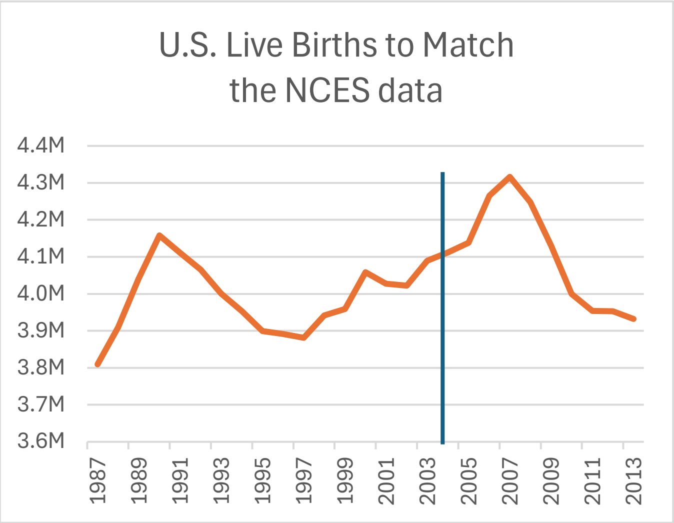
Burden of newly acquired debt

National demographics

Challenges:

- Major demographic shifts in birthrates and college enrollments impacting all schools means the same number of schools (supply) are competing for a shrinking pie (demand).





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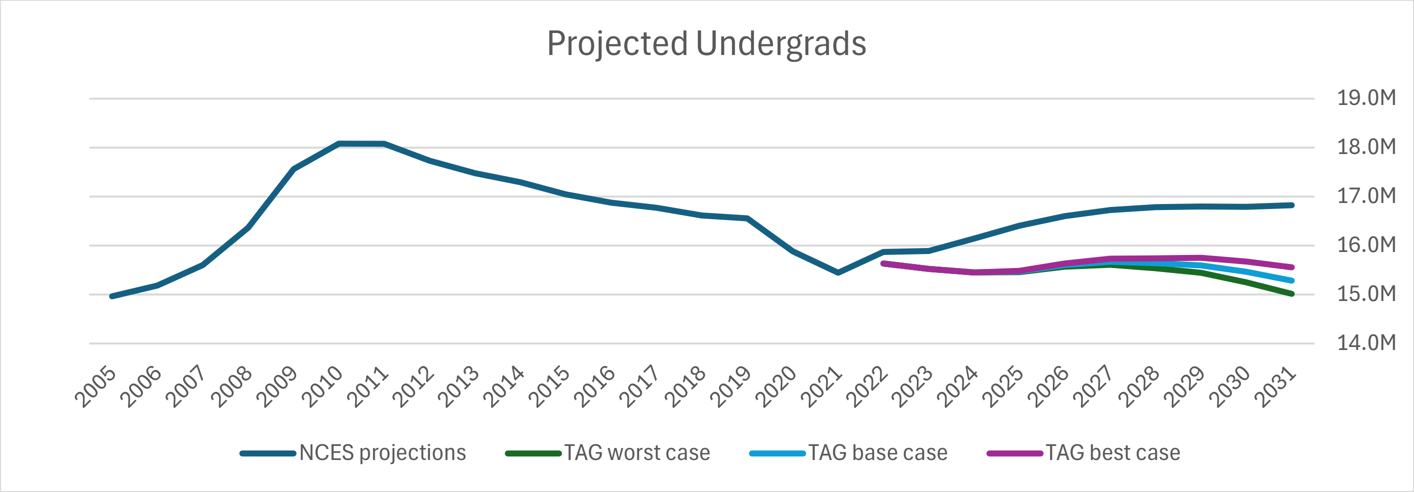
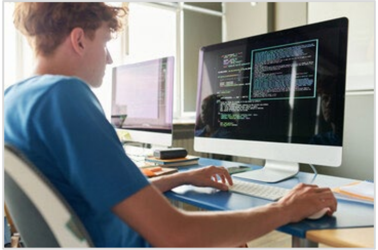


National demographics

Solutions:

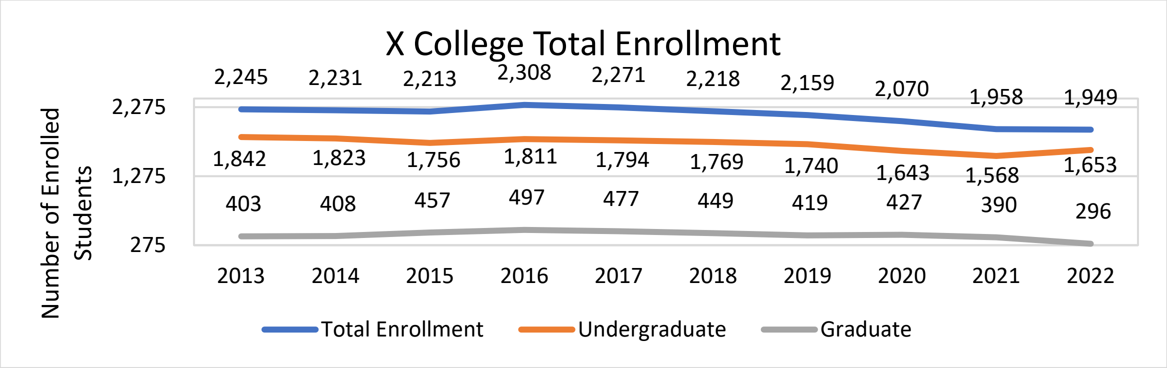
- Increase targeted marketing for the best of what the school offers without making it about tuition discounting.
- The message must be the benefits and the ROI of why attending our school is the right solution for your high school senior or potential student wanting to go back to college.
- Focus on profitable programs such as nursing, healthcare, STEM, and accounting.
  - Deemphasize the liberal arts and humanities.
  - ROI is the key to growing enrollment.

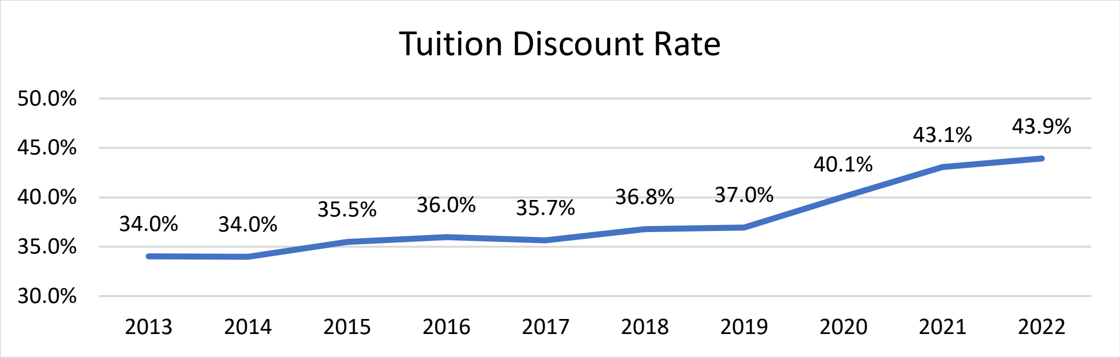


Declining enrollment · Increasing tuition discounting

Challenges:

- Declining enrollment of almost 2% per year for 10 years.
- Increasing tuition discounting, up to nearly 44% in 2022 from 34% in 2013.





Declining enrollment · Increasing tuition discounting

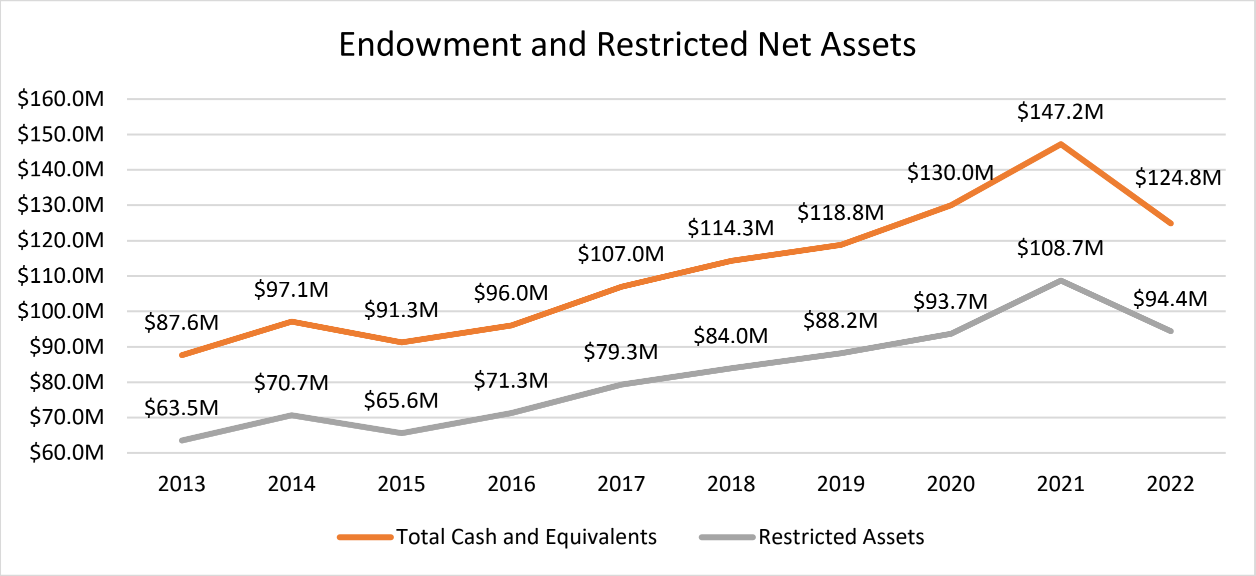
Solutions:

- To stem the increasing tuition discount rate, we focused on bringing back several graduate programs in profitable segments – nursing, physical therapy, accounting, and dramatic arts – to reverse the trending decline in enrollment and generate $3 million in revenue.
  - Due to government funding rules, graduate students are the most profitable segment of any school's campus. The fact that the graduate student population declined at twice the rate of undergraduates is a major source of the revenue decline.
- Given proximity to major urban centers, we believe both undergraduate and graduate programs should set up and market a small co-op program to increase enrollment.
- While cost is higher than peer group, the school's graduation and 10-year earnings rates far exceed its peers' rates, making the ROI better than most four-year private institutions.
- Increase targeted online ad campaigns showcasing these positive attributes.

Restricted endowment

Challenges:

- Heavily restricted $100 million endowment.
- At current deficit rates, the school has only two to three years of unrestricted cash on hand.



Restricted endowment

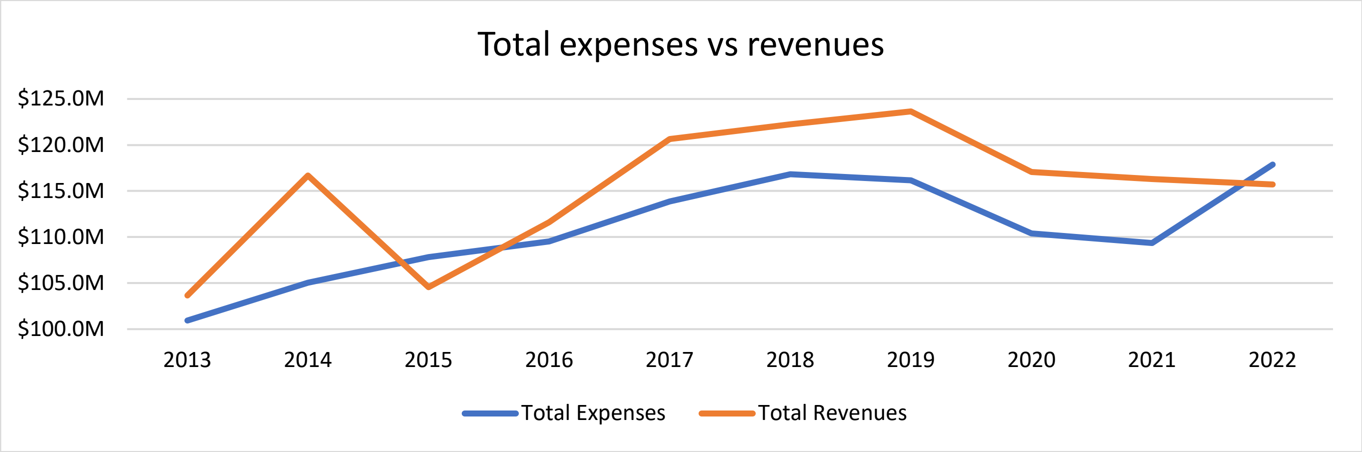
Solutions:

- Need to reduce deficit (see pages 17-18).
- Use endowment to reduce total debt burden.
- Appeal to State Attorney General for a waiver of restricted assets to be used to fund the school's operating budget and debt burden.
  - This is increasingly becoming a method of gaining access to restricted assets.

Increasing deficits post-Covid · Expense growth outpacing revenue growth

Challenges:

- Covid-era funding has ended, and the school is facing increasing deficits – almost $15 million in 2024.
- Expense growth is outpacing revenue growth by 0.5% per annum.
  - Increasingly relying on contributions and endowment to meet annual expenses.
  - Program expenses are growing at 2% per year while program revenues are declining 0.7%.



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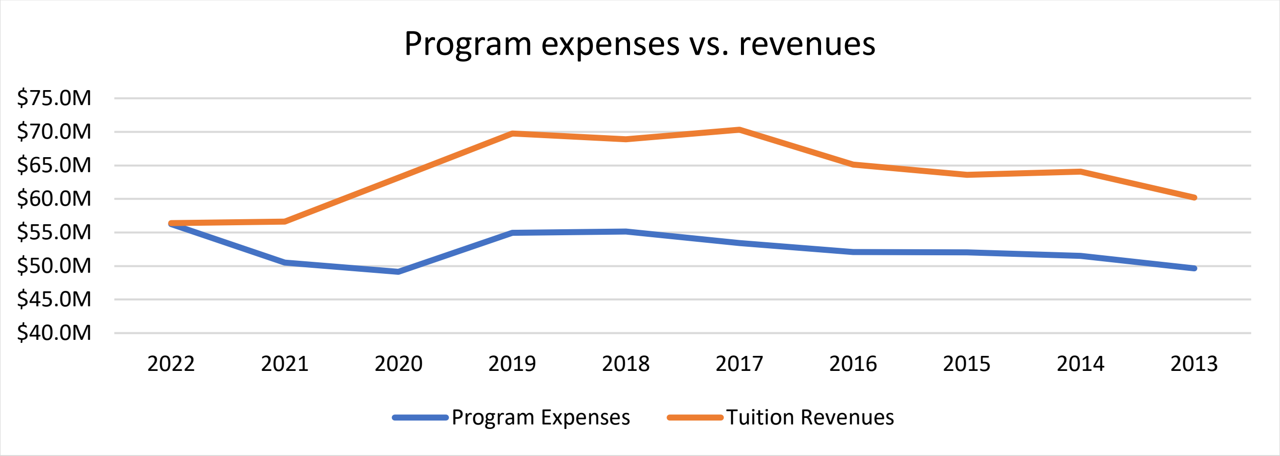


Increasing deficits post-Covid • Expense growth outpacing revenue growth

Solutions:

- Analyzed which majors and programs are profitable, and which aren't.
  - Recommended removing three majors where student-to-faculty ratio was close to 1:1, resulting in savings of $1 million.
  - Optimized classroom usage so rooms are full during peak electric and heating usage, resulting in savings of $1 million.
    - Consolidated five classes into three on average.
    - Consolidated teaching schedule from five days to four.

Increasing deficits post-Covid · Expense growth outpacing revenue growth

Solutions (continued):

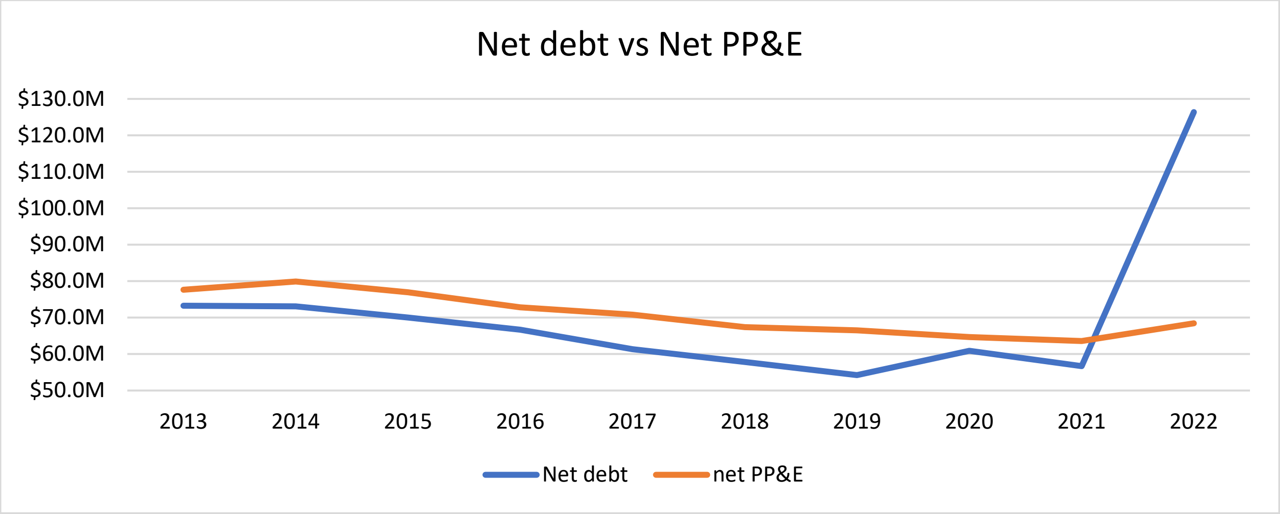
- Reduced expenses through headcount reduction and optimized facilities for classes.
  - Program and administrative expenses analyzed for optimization and redundancy. Total cost savings of $2 million.
  - Reduced headcount by 25 people (10 program related and 15 administrative staff).
    - Additional administrative reductions in IT, office expenses, insurance, T&E, and occupancy.

- Restructured fundraising initiatives and spend.
  - Analyzed and optimized travel spend for recruiting students and attending conferences. Total savings of $0.5 million.
  - Set up formal and targeting fundraising effort through The Angeletti Group network.

Burden of newly acquired debt

Challenges:

- Newly acquired debt will be a burden within three years due to delayed interest payments.



Burden of newly acquired debt

Solutions:

- Focus on the aspects of facilities maintenance and repair that are necessary, and return from escrow the rest of the unused portion of the new debt.
  - Upgrades of facilities and plant have been delayed for almost 10 years.
  - Recently raised $60 million on top of old debt; we found that only $30 million needed to be spent, thereby sending $30 million in escrow back to the state.
- Recommend limited asset sales of prime beachfront campus land.
  - Total raised between $5–$10 million for five acres of land out of a total of 100 acres.
  - Use this to pay down debt.
  - Can sell another five acres if necessary.

The Angeletti Group (TAG) is a full-service organization dedicated to nonprofit institutions in the following areas:

- Financial Stewardship
- Facilities Management
- Enrollment Management
- M&A / Asset Sales
- Executive Management Recruitment
- Fundraising and Development

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Small College Solutions

TAG specializes in helping smaller institutions navigate the complex higher education landscape.

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