Sample Report

Target:

- Northeast urban college with approximately 1,900 students.
- Private 4-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 it higher graduation rates, and 10-year earnings post-graduation.

The Problem(s)

- Major demographic shifts in birthrates and college enrollments impacting all schools
- Declining enrollment of almost 2% per year for 10 years and increasing tuition discounting
- Heavily restricted $100 million endowment
- Post Covid funding school is facing increasing deficits – almost $15 million in 2024
- Expense growth 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 3 years due to delayed interest payments

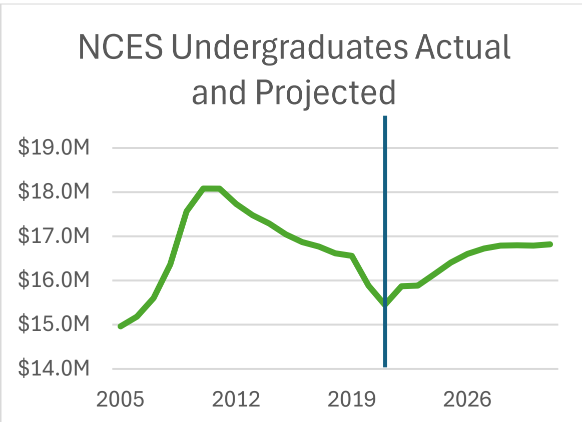
The Solution(s): $7.5 million in cost savings, $5 million in asset sales, and $30 million returned from debt escrow

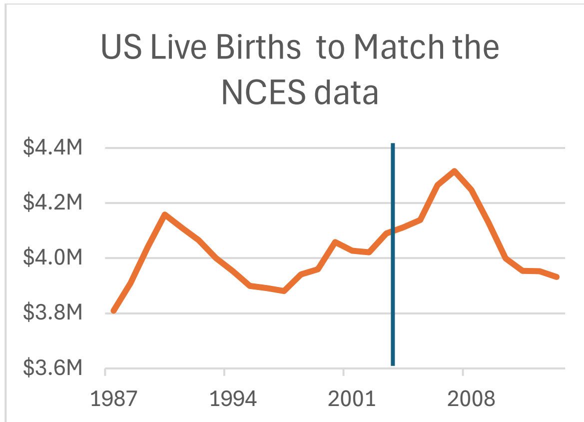
- Target profitable programs to increasingly market to select group of regional high schools to reverse the enrollment trends
    - Focus on graduate and undergraduate nursing, accounting, and the dramatic arts
    - Start a small co-op program to increase value of these majors and increase graduation 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 the State Attorney General for a waiver of some restricted asset covenants
- Analyzed which majors and programs are profitable, and which aren't
    - Eliminate unprofitable educational and sports programs
- Reduced expenses through headcount reduction and optimized facilities for classes
    - Program and administrative expenses analyzed for optimization and redundancy

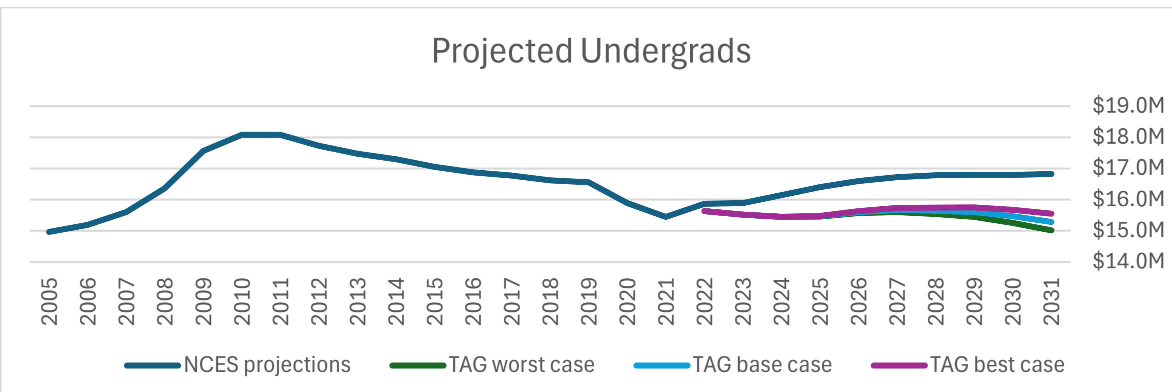
- Optimized facilities and class size for less energy usage, and less teaching resources
- Restructure fundraising initiatives and spend
- Focus on the aspects of facilities maintenance and repair that are necessary and return from escrow the rest of the unused portion of the new debt
    - Recommend limited asset sales of excess land

The Problem (national demographics):

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





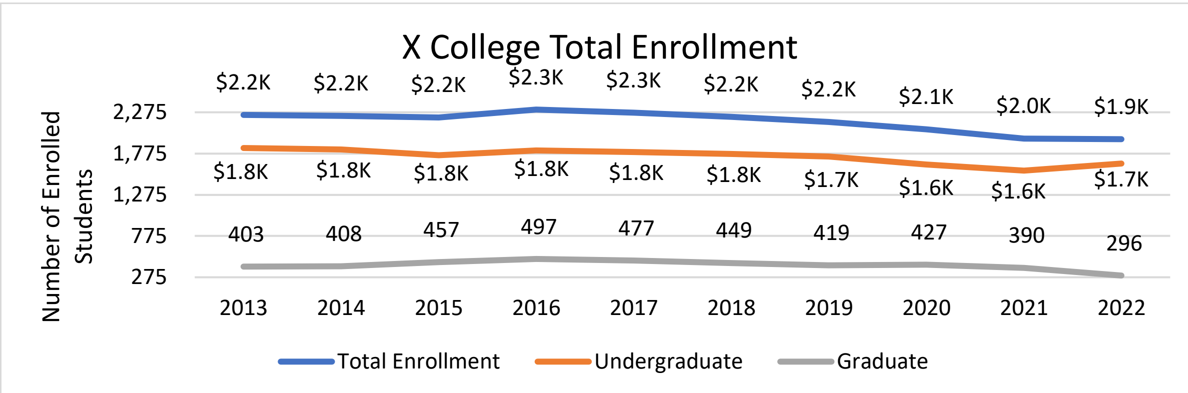


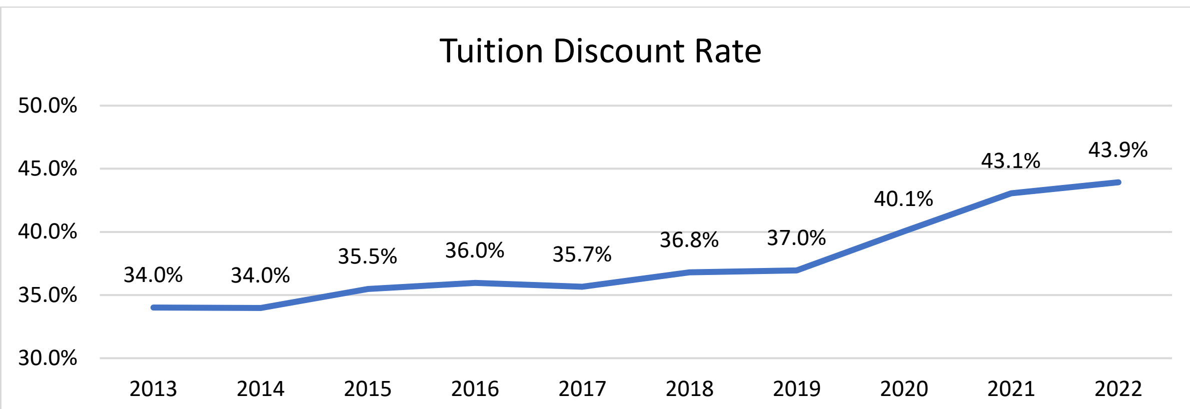
The Solution

- Increasing 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 school
- Focus on profitable programs such as nursing, healthcare, STEM, accounting
    - Deemphasize the liberal arts and humanities
    - ROI is the key to growing enrollment

The Problem (school specific):

- Declining enrollment of almost 2% per year for 10 years
- Increasing tuition discounting



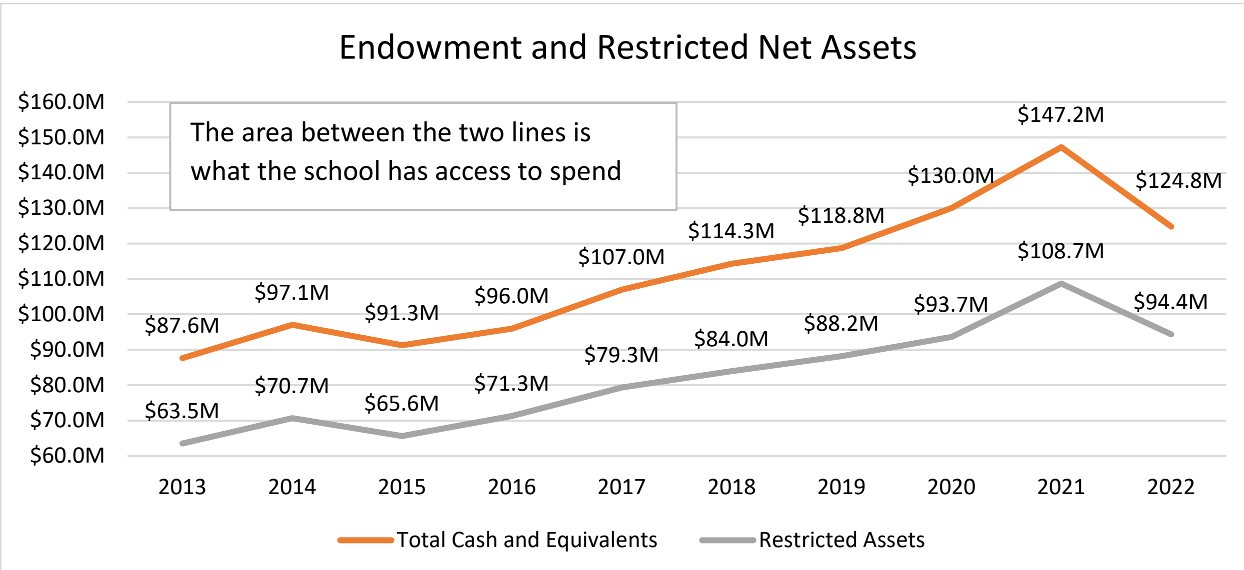


The Solution

- 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.
  - We focused on bringing back several graduate programs in profitable segments to reverse this trend: nursing, physical therapy, accounting, and dramatic arts. Revenue generation of $3 million
- Given proximity to major urban center, we believe both undergraduate and graduate programs should set up a small co-op program to increase enrollment.
- While cost is higher than peer group, the school graduation and 10-year earnings rates far exceed its peers making the ROI better than most 4-year private institutions
  - Increase targeted online ad campaigns showcasing these positive attributes

Problem

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



Solutions

- Need to reduce deficit (see later operating expense slide)
- Use endowment to reduce total debt burden
- Appeal to State Attorney General for a waiver of restricted assets to be used to fund the schools operating budget and debt burden
    - This is becoming an increasing method of gaining access to restricted assets

Problem

- Post Covid funding school is facing increasing deficits – almost $15 million in 2024
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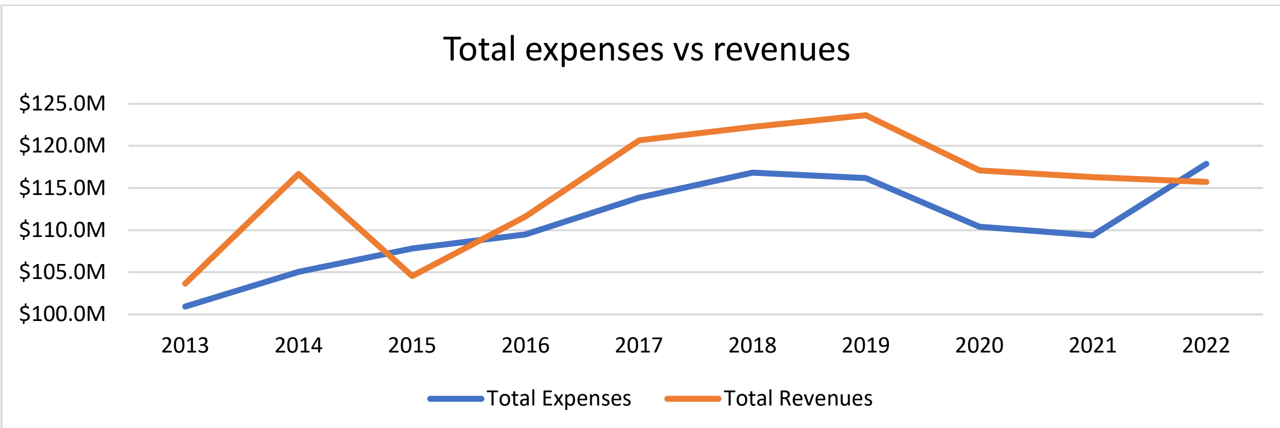
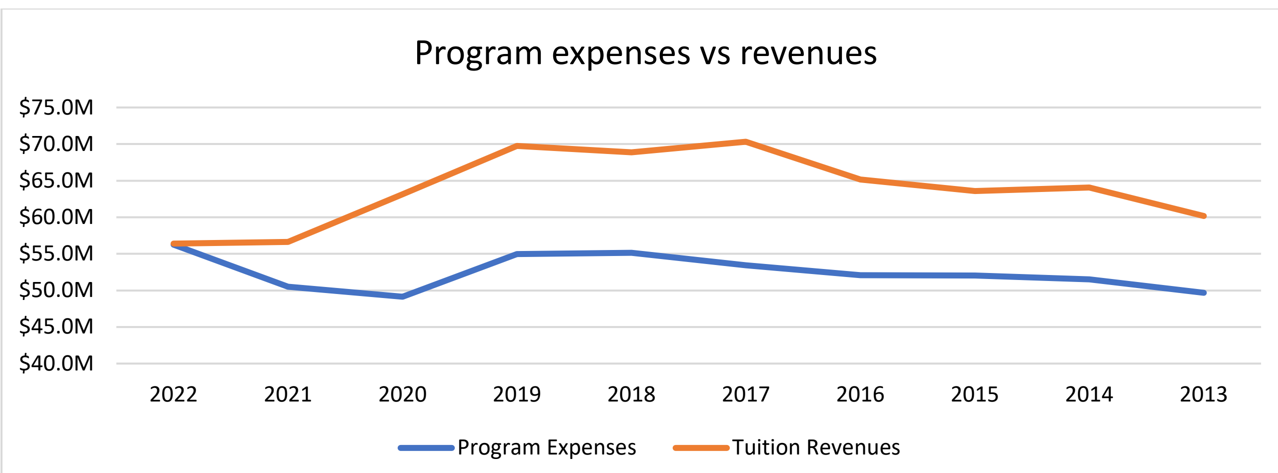
  - Increasingly relying on contributions and endowment to meet annual expenses
  - Program expenses growing at 2% per year while program revenues declining 0.7%
- Restructure fundraising initiatives and spend



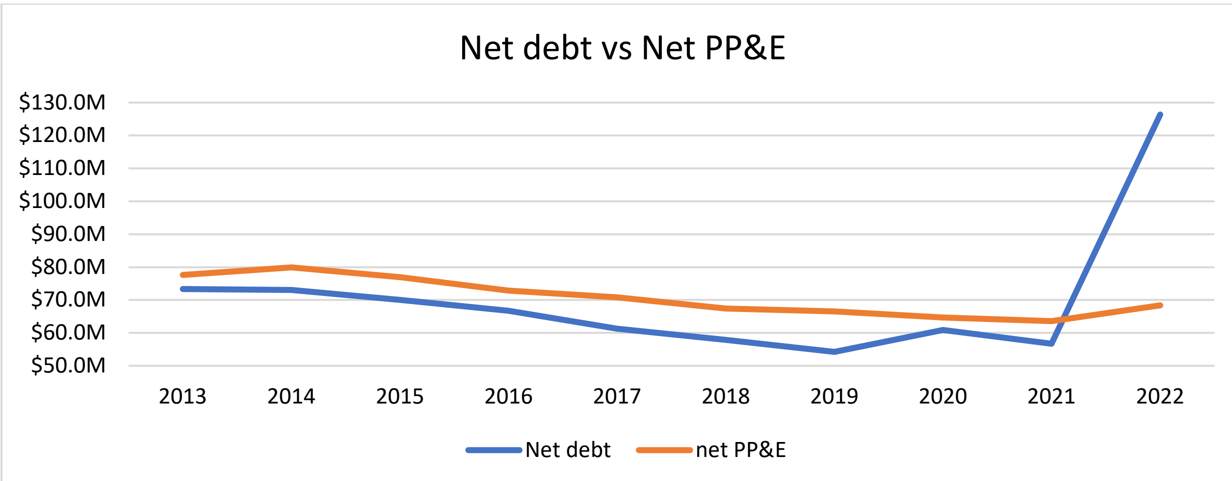


Solution

- 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 – savings of $1 million
    - Optimized classroom usage so rooms are full during peak electric and heating usage – savings of $1 million
        - Consolidated 5 classes into 3 on average
        - Consolidated teaching schedule from 5 days to 4
- 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
- Restructure fundraising initiatives and spend
    - Analyzed and optimized travel spend for meeting students and less for conferences. Total savings of $0.5 million
    - Set up formal and targeting fundraising effort through TAG network

The Problem

- Newly acquired debt will be a burden within 3 years due to delayed interest payments



The Solution

- 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 ten 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 and $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 need be