



Board Notes

November, 2017

Board Notes is a form of communication designed to keep the trustees informed about and engaged in current seminary events, decisions and actions that affect the work of the Board. It is prepared by President Blair and Board Chair Parmely. We welcome your feedback as we work to increase the flow of important information during periods between board meetings that may not be captured by other forms of communication.

Judging the Financial Health of an Institution

At our last board meeting, the topic of financial health indices was briefly discussed. Board member Susan Lindahl, who serves as a financial reviewer for the Higher Learning Commission, briefly shared with us how these numbers are determined and why trustees should be aware of their impact.

To measure the financial responsibility of an institution, one of the most important stewardship functions of its governing board, the Department of Education uses a composite of several ratios to calculate a Financial Responsibility Score. Like the better known Composite Financial Index, the FRS ranges in value from -1 to +3.

Ratios and the CFI

Composite Financial Index (CFI) is a composite of several ratios, which are standardized, weighted and combined. The CFI reflects the financial health of the institution, not the quality of its educational programs.

Primary reserve ratio measures resource sufficiency.

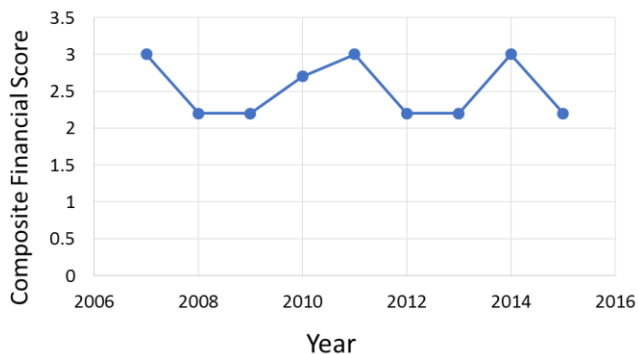
Viability ratio reflects debt management.

Return on net assets ratio tracks financial assets performance.

Net operating revenues ratio measures operating results.

An easy way of thinking about the CFI is that it reflects the duration (years) that the reserves of an institution can carry normal operations into the future.

Saint Paul School of Theology



The graph on the left shows that Saint Paul School of Theology has enjoyed fairly stable and acceptable CFIs over the past 9 years with a mean score of 2.5. Among the free-standing UM seminaries reporting for the fiscal year ending June 30, 2015, Garrett, Iliff, MTS and Wesley had CFIs ranging from 2.2 to 3.0, while United came in at 0.9.

Department of Education Scores

3.0 - 1.5	Financially responsible - no further action
1.4 - 1.0	Heightened scrutiny and monitoring by DoE for up to 3 years
Less than 1.0	Failing financial responsibility; letter of credit required

For more information on the CFI and DOE Financial Responsibility Score, you might consult these sources:

www.nacubo.org and search for 'composite financial index'

<https://studentaid.ed.gov/sa/about/data-center/school/composite-scores>

This site provides scores on individual schools.

Audit Report

The Resource Committee reviewed a draft audit report from RubinBrown for FYE2017 and presented the findings to the Executive Committee on November 17. RubinBrown conveyed the need for Saint Paul School of Theology to make several changes to adjust to the new Not-For-Profit accounting standards soon to take effect (eg., reporting on liquidity and availability of resources), RubinBrown also recommended several changes to endowment policies and practices related to the purpose of board-designated endowment funds and our policies on underwater endowments. The audit report was approved on November 17, 2017 by the Executive Committee. The draft audit report was distributed to trustees with the announcement of the November 17 Executive Committee meeting and will be available in final form at our next board meeting.

New Interim CFO

President Blair has announced and the Executive Committee has approved the appointment of Tammi Allensworth to the position of Interim CFO of Saint Paul. Tammi has served as comptroller of the seminary for the past 7 years and will share duties previously assigned to Barney Barry with a professional services firm, yet to be designated. Conversations have been ongoing with Miller Associates to provide a variety of management services on a fee basis.

Next Presidential Update

The next Presidential Update is scheduled for Tuesday, November 21 at 10:00 AM. You can join the session by teleconference by contacting Melissa Whalen for more information.