



## The Campaign for The Lutheran High School Association of Greater Milwaukee Frequently Asked Questions



### **I have heard that The Association is facing the greatest crisis in its 106-year history. What is the big deal?**

Over the past several years, The Association has experienced significant operating deficits at all three schools. These operating deficits have required The Association to exhaust its line of credit and tap into its endowment in order to survive. Additionally, we have a substantial construction loan that is being converted to an amortized loan that will need to be paid back.

### **What is the total operating deficit and how much has been borrowed?**

We have calculated the lifetime loss to date to be \$4.2 million dollars. \$1.4 million was lost in 2008-2009 alone. The Association has "borrowed" \$1.1 million dollars from its endowment and it has exhausted its \$1.5 million dollar line of credit.

### **How did The Association get to this point?**

There are a number of factors that contributed to this situation.

- The downturn in the economy, which effected individual and church giving.
- An increase in financial aid applications also related to the economy.
- Pressure to keep tuition low and affordable
- Failure to meet enrollment projections
- A broken congregational quota system
- A weak development plan
- The Association's leap of faith in building Lake Country Lutheran
- Minimal alumni involvement and engagement
- Nominal strategic planning
- Inaccurate financial information
- Inadequate oversight

### **How will The Association restore the line of credit and repay the endowment?**

The debt can only be paid through future operating surpluses. Our forecast for the current year is a loss of \$200,000 but the plan for FY 2011 is a surplus of \$250,000. It will take a lot of diligence and time to return the funds borrowed.

### **I've heard that some difficult decisions have been made, especially in the area of personnel.**

That's correct. There have been a number of layoffs that have taken place as a result of our financial struggles both at the Association level and at the school level. These decisions were strategically made based on the budgeting process that took place to ensure that our faculty and staff were appropriately deployed for the size of the student body in their building. The Strategic Leadership Team and the Board of Directors used other high schools of similar size and budgets from their geographical areas to benchmark against in making these decisions. At the Association level, decisions were made based on what types of positions were most essential to efficient and effective ongoing operations. In all, less than a dozen positions were eliminated at all levels. That is still too many! We acknowledge that there is human side to these decisions and that making these hard decisions often impacts people emotionally. It is hard to accept change, especially when it involves people who are friends and faithful servants. We ask God and

those whose lives have been disrupted and altered to forgive us for being poor stewards of the ministry that He entrusted to us and we are steadfast in our resolve that we will fix these problems and never have to go through this type of reorganization again.

### **What impact will these decisions have on the schools and students?**

The Association has devoted schools that provide high quality programs and exceptional opportunities for its students, so every effort was made to minimize the impact on programs that directly affect students. There is no way to minimize the impact on faculty, staff, alumni and friends emotionally, but spiritually, educationally and athletically the “right sizing “ that has taken place should have minimal impact.

### **What steps are being taken to ensure that this will not happen again?**

The Board of Directors hired a new CEO and CFO in the last year. A collaborative management Strategic Planning Team is in place. The Board will begin working on a complete new policy manual and putting in place the controls necessary to ensure that appropriate management oversight is in place. Additionally, The Association will adhere to strict budgeting and solid business practices on the business side of the ministry.

### **What about the elimination of teaching positions for next year?**

None are planned beyond what has already been announced at this time, however, if the schools fail to achieve their enrolment numbers for the 2010 – 2011 school year, budgets will need to be revisited and additional changes in operations may become necessary. Each school is engaging in a marketing plan for their constituents, which are designed to drive enrollment. Every effort will be made on the part of every employee to recruit students and encourage retention.

### **What is the total amount of the construction loan debt for the LHSAGM?**

The total amount of debt is \$27 million dollars. \$25.5 million is the amount of the construction loan and \$1.5 million is the amount of the line of credit.

### **Where did this debt come from?**

The amount of the LHSAGM’s debt was accumulated from a combination of building activities:

- The building and construction of Lake Country Lutheran High School
- The Milwaukee Lutheran Field House project
- The Milwaukee Lutheran Bleacher project

### **Why were all of these expenses rolled into one loan?**

For collateral purposes, the lender wanted to combine all of The Association’s debts so that there would be just one loan for the entire Association.

### **Who is the lender?**

Thrivent Financial for Lutherans is the lender.

### **What is the interest rate for the loan?**

There are actually 3 interest rates:

- The line of credit rate which is 5.5%
- The construction loan (the loan we are *currently* operating under) which is 6%
- The amortized mortgage loan (a variable loan on a 3 year cycle). The 1<sup>st</sup> year rate of this loan is 5.65% and the 2<sup>nd</sup> and 3<sup>rd</sup> year rates are at 6.125%

### **I am a graduate of Milwaukee Lutheran/Martin Luther. Why am I being asked to contribute?**

Because the DNA of our Association churches and schools is to build the Kingdom on earth for one another. In 1903, someone sacrificed for the vision of Lutheran High. In 1953, 16,000 individuals sacrificed to build Milwaukee Lutheran. And every member of every Milwaukee area congregation was asked to sacrifice to build Martin Luther. We are an Association and as an Association this debt belongs to all who are “called.” care or are passionate about Lutheran/Christian education.

### **I thought that this was a campaign for Lake Country Lutheran High School.**

That is how the campaign began. The original plan was to raise the funds to retire this debt from families and parents in the Lake Country area. But, the reality is that the debt belongs to all of us, and so it is up to all of us to contribute what we can as the body of Christ.

### **How does this debt affect or impact schools other than Lake Country?**

The Association has one lender, one loan and one mortgage. To obtain that mortgage, the Association used the properties, buildings and facilities for all three schools as security. Therefore, defaulting on the loan could jeopardize the viability of all three schools.

### **Why can't we just sell one or more of the schools to pay off the loan?**

Thrivent is the mortgage holder of the loan. If there were any interest (on the part of the Association) in selling one or more of the schools, such a plan would require their approval. It is unlikely that they would support any sale or closing of a school or schools in order to reduce the debt because doing so would not erase the debt since the assessed property value of the schools and their buildings would not be expected bring a price high enough to do so. Finally, The Association is committed to operating 3 healthy, viable, spirit filled schools of academic excellence.

### **Why not?**

Current real estate market prices are depressed at this time due to the economy. Additionally, finding a favorable buyer in today's market could take a very long time. And finally, the land is the true value of the property. The buildings have little value to anyone unless they own and operate schools.

### **I'm just really angry about where we are!**

That's understandable. It's okay to be angry. It's even okay to express that anger. And it's good to ask tough, challenging questions and expect answers. It is not okay to take out your anger on the ministry and the kids. They need your support. We ask you to express your anger in a positive way, pray about it and then let it go. Now is the time for all of us, as the body of Christ, to over-come our anger, put our differences aside and support these kids, these great schools and the ministry.

### **I feel like trust in the organization has been betrayed.**

Again, that's understandable. We're not asking you to have blind faith in us or even to trust the Strategic Leadership Team and the Board of Directors. We are asking you to lean in. We're asking you to participate. We want you to engage and to ask questions. Hold us accountable. As alumni, friends, parents, students and stakeholders, you deserve the highest level of honesty, integrity and transparency. We intend to give it to you because it is the right thing to do.

### **So, then...how do we pay off this debt?**

Achieving the match in The Campaign for the Lutheran High School Association is just the first step in paying off the debt. Other steps are in development, but for now, all of our efforts are focused on achieving the goal and receiving the match.

## What is the match?

The match is a tremendous opportunity that an anonymous donor has blessed us with. If the Association can raise \$6 million dollars in gifts and pledges by February 28, 2010, the donor will match those efforts with a \$3 million dollar gift.

## I received a copy of The Match Two newsletter and it seemed dark and a little over the top dramatic. DEFAULT? DEFAULT? DEFAULT?

That's correct. The piece was deliberately dark and the message intentionally dramatic. The reason for this was two fold:

1. The Association wanted to be sure that all friends, parents and alumni were aware of our current situation and our immediate need.
2. A traditional appeal letter would most likely have been tossed aside and ignored. We wanted to design a piece that could not be ignored. This piece was created to get people's attention...and it has.

## How have people responded?

Some are angry (and rightfully so). Many are deeply concerned. The majority wants to help. In the last 3 weeks, more than \$500,000 has been donated to the campaign and more than \$1 million in the last 2 months. These donations have come in all shapes and sizes. They have come from friends, parents and alumni from Lutheran High, Milwaukee Lutheran, Martin Luther and Lake Country Lutheran. Many are giving \$1 a day and many more are giving more. To date (December 4) the campaign has been blessed to raise more than \$2.4 million dollars, but we still have a long way to go.

## What are the eligibility rules for participation?

Eligible gifts must meet the following criteria: Gifts and pledges must be received prior to **February 28, 2010** in order to be eligible. All pledges must be paid within a 5-year time frame. An amount of not less than \$6,000,000 in gifts and eligible pledges is required to receive this match and must be received prior to the deadline.

## \$6 million dollars by February 28<sup>th</sup>! That's a lot of money in a very short period of time.

That's true, but we believe that Milwaukee area Lutherans, alumni, friends and individuals who are passionate about Christian education have the resources and the wherewithal to meet this difficult challenge. We have more than 17,000 names in our database. These are names of friends, alumni and parents. If every single person gave just \$1 dollar per day for 5 years (\$365/yr) The Association would net more than \$31 million dollars. Throw in the match and that's \$34 million dollars. Enough to pay of all debts and increase the Association's endowment or perform some badly needed repairs that need to be done at Milwaukee Lutheran and Martin Luther.

We recognize that it is unlikely that 17,000 people will make a gift, but we also know that God is a God of miracles. We submit to His will and His plans because He sees it all from beginning to end. The important thing is that everyone who is passionate about this ministry and who *can* do something – **do something!** Waiting for someone else to do it is not an option. Hoping that someone else will do it is a recipe for failure. We only *need* 2,100 faithful friends to give a \$1 a day to make the match. That's assuming no other larger gifts are received along the way. We believe that there are more than 2,100 individuals who are able and willing to sacrificially make a gift to support our educational ministry.

We are confident that God will bless our efforts, but to be successful, ***we need your prayers, your support and your gifts.***

## **What is the Associations Fundraising plans for its long term health?**

A. We must be successful in the challenge grant in order to have time to restore our schools to health. Our plans to raise funds for the future are:

- FY 2010 - The Campaign for the Association (Challenge Grant).
- FY 2011 - Investing in our History - capital improvements and facility upgrades for Milwaukee Lutheran and Martin Luther
- FY 2012 - Restoring our Past - repaying and building our endowment, restoring operating losses
- FY 2013 - Preparing for the Future - debt reduction and elimination

## **Where can I get more information?**

Additional information is available on the website at [www.lhsagm.org](http://www.lhsagm.org). This information (on the CEO page) includes power point presentations made by the Association's CEO, Todd Moritz at town hall, faculty and parent meetings. Devotion materials and pledge cards are also available on the Campaign page of the Association website. This site can also be accessed through the web sites of each of our schools.

You can also contact The Association offices at:

Lutheran High School Association of Greater Milwaukee  
5201 South 76<sup>th</sup> Street  
Greendale, WI 53129

Or call the Development Office at:

1-414-421-9100 EXT 215.

You may also feel free to e-mail the Association's Director of Campaigns, Tim Young Eagle at [tyoungeagle@lhsagm.org](mailto:tyoungeagle@lhsagm.org) or call him at 414-421-9100 EXT 219.